AGRICULTURE - Credit 1955 thru 1958

Dept - Credit

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MODERN FARM CREDIT FOR IRAQ

Iraq is seeking a great modernization of its agriculture and, with a constructively conceived and well financed development program, is making rapid progress toward that objective. The work to be done and the effort that will be needed to achieve that modernization will, however, be very great. The present system of farming is still primitive. A great improvement of the system of irrigation is needed and underway. Drainage to complement the irrigation system and to provide a critically needed defense against salinization of irrigated lands is a necessary improvement. A land improvement program so that land may be levelled as a preliminary to the use of modern farm machinery must be inaugurated. Farmers have already begun to purchase up-to-date farm machinery but need to go much further for modernization. Most farm practices can be improved only by much greater investment in buildings, equipment and tools. Livestock production needs to be integrated with crop production if a stable self-perpetuating type-of-farming is to be established. Many new types of production particularly, vegetable, fruit, forage and seed production are going to need great expansion and that will require the use of new forms of equipment. With the rapid improvement of roads and transport over the country much regional specialization of the nation's farming will take place.

These changes will all generate a need for credit and much of the credit required will be of special kinds not now readily available to the farmers of the country. To facilitate this modernization of its farming, therefore, Iraq needs a modernization of its agricultural credit programs and facilities and this paper presents a proposal for that purpose.

MAGNITUDE OF FARM CREDIT NEEDS

Forecasting the farm credit needs of Iraq is complicated by the fact that the country is presently in the midst of a developmental upsurge so that great, and not too readily predictable, changes are in progress. Most of the statistical information on the country's farming relate only rather generally to its credit needs and there is, the additional fact that an improvement in farmers' ability to use credit will be a major factor in determining how much credit should be made available to them.

With its two great river systems, however, Iraq has a huge area of irrigated lands most of which are or will be farmed intensively. A recent (1953) census of agriculture revealed that over 10,000,000 mesharas of land are planted each year, mostly to winter crops such as barley, wheat, lentils, vetch and flax which together used over 9,000,000 mesharas. Summer crops

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such as rice, cotton, sesame, maize, green gram, millet and tobacco were grown on an additional 1,127,000 mesharas and vegetables were produced on an additional 170,000 mesharas. Iraq is also the world's largest producer of dates and a considerable producer of other fruits and nuts.

The country's livestock population is also large and includes over sixteen million major animals in addition to poultry. Estimated numbers of animals are as in Table I below:

Table I

Livestock Numbers in Iraq

Estimated (1953)

Sheep	10,000,000
Goats	2,900,000
Cattle	1,510,000
Buffaloes	718,000
Horses	300,000
Mules	500,000
Donkeys	1,000,000
Camels	362,000

In addition to the above there are the lands of the range areas, which are vast in area though low in productivity. These range areas are almost universally in public ownership though at times under loose tribal control. The Bedouins and their livestock which use these range areas probably cannot, for the most part, be served well with normal farm credit so that if they are to be helped they will need special credit arrangements. This study will not, therefore, give further direct consideration to range credit problems but will concentrate chiefly on credit for settled farmers and land holders.

On the human side, the number of farm people in Iraq is estimated at 3,600,000 and there is other evidence to indicate that the demand for well adapted farm credit might be very large. There were, for instance, according to the 1953 census, a total of 125,045 land holdings in the country. Of these 92,025 or 73.6 per cent were small holdings of 600 mesharas or less. There were, in fact, over 50,000 very small holdings of 4 mesharas or less.

The number of medium sized holdings, 100 to 600 mesharas, in area, totalled 27,554 or 22.0% and the remaining large holdings numbering 5,466 constituted only 4.4 per cent of the total. However, these latter or large holdings embraced 65.8 per cent of the land in farm holdings in Iraq as contrasted to only 10.1 per cent of the area in small holdings and 24.1 per cent in medium sized holdings.

For purposes of credit analyses it is important to note, however, that the proportion of large and small holdings varies within the country. This variation is brought out in the table below, which indicates a much higher proportion (indeed a preponderance) of land in small and medium sized holdings in Northern Iraq (Mosul, Kirkuk, Erbil and Sulaimaniya Liwas) than in the two southern regions. By contrast the proportion of land in large holdings is very high indeed (90.1%) in the southern region (Basrah, Muntafic and Amara Liwas). The situation for the Central Liwas is intermediate as the data of Table II indicates.

Table II

Land Holdings in Iraq by Major Geographical Regions *

Size of Holding	Number	%	Land in holding (Donums)	%
NORTHERN REGION				
Less than 100 donums	48,182	67.1	1,945,350	16.6
100 to 600 donums	21,194	29.6	4,569,500	39.1
600 donums and over	2,392	3.3	5,174,100	44.3
CENTRAL REGION				
Less than 100 donums	20,946	75.7	372,912	5.1
100 to 600 donums	4,906	17.7	1,152,750	16.0
600 donums and over	1,832	6.6	5,718,800	78.9
SOUTHERN REGION				
Less than 100 donums	22,895	89.5	242,674	3.8
100 to 600 donums	1,454	5.7	391,050	6.1
600 donums and over	1,242	4.8	5,778,500	90.1
I R A Q				
Less than 100 donums	92,023	73.6	2,560,936	10.1
100 to 600 donums	27,554	22.0	6,113,300	24.1
600 donums and over	5,466	4.4	16,671,400	65.8

* According to Census Publication of the Iraq Central Statistical Bureau. Data arranged by the Statistical Section of the Ministry of Agriculture under the guidance of USOM specialist Mr. David H. Walter.

Some idea of the present and prospective credit needs of Iraq can be gained from a comparison with actual credit outstanding to farmers in the U.S. which already has a very modern agriculture. The table below has been arranged to facilitate such a comparison. The states of California and Arizona in the United States both have lands, soils and climates not too different from Iraq. In both these states farming is of a highly modern character, very specialized and outstandingly productive. Farming at present in Iraq is strikingly different but, with the brisk development in progress, is at least moving toward types of farming similar to those of California and Arizona.

As indicated by the data on farm loans outstanding, the volume of farm credit used by California and Arizona farmers is very large indeed. Mortgage loans in California alone in 1955 totalled over a quarter billion dinars. California is somewhat larger than Iraq and has a greater total population and a greater area of irrigated land and of crop land. On the other hand Arizona is not quite as large as Iraq, has much lesser total and farm populations and much smaller areas of irrigated land and land used for crops. Yet in Arizona farm mortgage loans outstanding totalled over ID 25,000,000 and other forms of farm credit accounted also for sizeable sums.

Granting the great differences between Iraq's farming and that of California and Arizona it is still reasonable to presume that Iraq's farmers will need, if they are to have a modernized agriculture, a volume of credit somewhere between the huge amounts used for the purpose in California and the much lesser amounts used in Arizona.

Table III

FARM CREDIT COMPARISONS CALIFORNIA, IRAQ AND ARIZONA(1)

Factors			California	Iraq	Arizona
I Population					
Total population - 1950			7,211,825	6,000,000(2)	441,889
Farm population - 1950			617,000	3,600,000(2)	79,000
II Land					
Land in farms - 1950	mesharas		59,268,000	25,507,000(3)	64,617,000
Cropland - 1950	"		16,568,000	10,356,000(3)	1,752,000
Irrigated land- 1949	"		7,988,000	6,000,000(4)	1,554,000
Pasture & range-1950	"		37,821,000	177,600,000	61,191,000
III Farm Credit					
Farm Mortgage Loans(5) 1955		ID	280,695,000	3,200,000(6)	23,666,000
Production and Subsistence Loans (5) 1955		ID	3,234,000		1,190,000
Farm ownership loans 1952		ID	635,000		248,000
Production Credit Loans(5) 1952		ID	9,522,000		1,148,000
Commercial Bank Farm Loans(5) 1955		ID	120,236,000		19,272,000
IV Cooperative Bank Loans(5) 1952	U.S. Total	ID	159,890,000(7)		

(1) Data relating to California and Arizona are from Agricultural Statistics--a publication of the U.S. Department of Agriculture - for 1955 or 1952.

(2) Estimate - 1956

(3) 1953 - Census of Land Holdings in Iraq. Farm holdings include some but not all pasture and range lands associated with farm holdings. Most such range lands are in public ownership.

(4) Estimate of irrigated lands planted to crops each year. Total area subject to irrigated use is approximately 12,000,000 mesharas.

(5) In all cases data represent loans outstanding as of the year indicated.

(6) Total loans outstanding - Agricultural Bank of Iraq.

(7) Data from Agricultural Statistics.

At present the farm loans of the Agricultural Bank Iraq amount to ID 3,200,000 or only a very small fraction, indeed, of amounts that will be needed for the modernization of the country's farming. Furthermore, along with the modernization of farming there will inevitably be required a commensurate modernization of the marketing of farm products. Much of such market modernization will be an urban rather than a rural affair and can, therefore, be accomplished with loans from commercial or urban banks. However, farmers too must do much to improve marketing of their products and they usually do this by forming marketing cooperatives for the purpose. In the U.S. a huge volume of credit is constantly used by farmers' cooperative associations and the Federal Bank for Cooperatives in 1952 had outstanding, for the country as a whole, ID 159,890,000 in loans.

Improvement of farm marketing in Iraq is at an early stage and there are virtually no farmers' cooperative marketing associations in existence as yet. However, the country has already established a Bank for Cooperatives which is empowered to make loans to farm cooperative associations. In time, therefore, such loans should become a recognized aspect of a farm credit system.

Taking no account of credit outstanding for cooperative associations it is apparent from Table III above that outstanding farm credit for the State of California recently has been over ID 400,000,000 and for Arizona over ID 50,000,000. In such important matters as population, farm population, land in farms, crop land, irrigated land and so on, as indicated in this table, Iraq is much more alike to California than it is to Arizona. For planning purposes, therefore, it is assumed herein that for a fully modernized farming in Iraq, credit will need to be supplied to its farmers to such an extent that approximately a quarter billion dinars (ID 250,000,000) of farm credit, of all kinds will be outstanding each year. That amount then indicates the magnitude of farm credit needs at some future date. That date is almost certainly not a century away and is probably only a half century away.

The magnitude of present needs for farm credit is, of course, much less but it is surely not too much, considering the great development program now in progress and the dominating importance of farming to the nation's present and future to anticipate that farm credit outstanding should be expected to rise to not less than ID 20,000,000 FY outstanding loans in about 10 years. It is on that presumption that the suggestions for a reorganization of the farm credit system below are presented.

Generally, there is clearly needed a change in viewpoint in Iraq with respect to the financing of its farming. At present farming is financed on a meager not to say minimum basis so that farmers have poorer access to credit than any other major occupational group in the country. Yet not only is farming the country's

major occupation but a very large part of the funds for development are now being allocated and used for the further expansion of farming. These facts indicate a lack of balance in this important aspect of developmental planning that is both obvious and serious. It is the more serious because of the long time that will be required to learn how to manage the much larger volume of credit that farmers need effectively. The change in viewpoint required is, therefore, not only that the volume of credit for farmers be increased but that provision for such increase be made a matter of high priority.

TYPES OF CREDIT NEEDED

Types of farm loans outstanding in the U.S. shed some light on types of farm credit that will be needed in Iraq. As indicated in Table IIIthe bulk of U.S. farm credit is mortgage credit but that fact tells little about what the loans are used for. In fact mortgage loans are used in the U.S. for multiple purposes including production, land purchase, farm improvement, and so on. Statistics on amounts of funds used for various purposes are not available.

To forecast the purposes for which farm mortgage credit will be needed in Iraq it is, therefore, necessary to turn to such information as is available regarding Iraq's farmers and farming in general.

Land Improvement. For the modernisation of its farming there must, in Iraq be a great program of land improvement. Not only must irrigation be reorganized and made more efficient but land levelling, so that heavy farm machinery can be employed, must be undertaken on a tremendous scale. Also, so much of the country's irrigated lands are susceptible to damage by salting that nearly all lands that are to be continuously used for irrigation must be drained. In many places also, but particularly in the northern third of the country, soil erosion is so great a threat to permanent farming that much terracing, contouring and so on is going to be necessary.

The cost of these land improvements will in total be immense. The costs for major irrigation structures will fall on government but the costs for farm irrigation canals, for land levelling, for lateral drainage facilities and for terracing for erosion control will fall chiefly on the farmers and land owners of the country. The table below provides a rough estimate of the part of the costs of these major land improvement that farmers will need to bear and for which they are likely to want to use credit. The roughness of the estimate results partly because costs are still so difficult to appraise and partly because the assistance that the government of Iraq will provide its farmers for carrying out various forms of land improvement is still completely speculative.

The figures in the table do, however, provide some indication of the magnitude of the financial outlays for land improvement that are going to be needed to facilitate a high efficiency farming in Iraq.

Table IV

Prospective land Improvement Costs

Structures	Estimated Area Involved. Mesharas	Estimated Cost Per Meshara. ID	Estimated Total Cost. ID
Land levelling	15,000,000	2.5	37,500,000
Drainage	"	6.0	90,000,000
Canals	"	2.0	30,000,000
Terracing (etc)	3,000,000	1.0	3,000,000
		Total ID	160,500,000

Costs so huge, as the ID 160,500,000 in Table IV above, are more than a little startling and it may perhaps be more easy to give credence to them after consideration of the fact that in the U.S. in 1953 over 2,000,000 farmers and land owners made land improvements for which government assistance amounting to $184,403,000 was provided. Such government assistance payments have been provided U.S. farmers for years and in 1950 were higher than in 1953 when they totalled over $250,000,000. Such assistance paid only a fraction of the costs for such improvements and the total costs to farmers in the U.S. was from two to four times the assistance payments provided by government.

Fortunately for Iraq these land improvements can be made gradually. A century from now land improvement will still be in progress in the country. Just as fortunately also such improvement will be generally and often highly profitable and will provide an immense lift for farming efficiency. These facts, however, only underline the need for giving farmers and land owners access to suitable credit so that they may carry out their role in land improvement the more expeditiously.

Settlement and Land Ownership. A second great aspect of the prospective modernization of farming in Iraq is that being brought about under the country's Miri Sirf Land Development program. The intent of the government is clearly that the huge irrigation development in prospect shall be used to provide lands to the many farmers who are now laborers or share croppers but who, naturally, wish themselves to own the land they farm. Under the Miri Sirf program some 32,000 settlement tracts will have been provided such farmers by the year 1960. When all the irrigation schemes now being planned are completed that number may be increased to 100,000 or more.

Often these aspirants for land ownership can bring with them, when they first settle on their farms, little but their most personal possessions and some tools. Needless to say they need credit not only to start farming on their own but to enable them to make at least a start on modernizing their farm operations. Most of these settlers possess only limited farming skills and they need to be introduced to newer methods, requiring large amounts of more up-to-date equipment, only gradually. Nevertheless it will probably require loans of not less than ID 200 each to afford such settlers reasonable prospect of making a beginning success of their settlement ventures. If in total 100,000 such settlers are, over the long run, to be provided ID 200 loans the total loan funds needed will amount to ID 20,000,000.

This ID 20,000,000 will do no more than insure these settlers a good beginning. When these new farmers graduate as settlers and start out to modernize their farm operations in earnest their credit needs will greatly increase. Perhaps a third of the settlers will have the ability to advance toward such modernization and these, in that process, will surely need ID 1000 each of credit or a total of over ID 30,000,000.

The need for this particular kind of credit does not end at this point, however. Most of Iraq's farm lands are already under private ownership. Much of such lands are held in great estates and it will be profitable and constructive from many viewpoints to divide those estates up into smaller tracts to be leased or sold to men and families that are now farm laborers or share croppers. Sharecropping works well enough when grain and cotton are the major crops but it works much less well when it is livestock products (particularly dairy products) vegetables and fruits that are the main farm products. These products are produced most efficiently by men or families who own or expect to own the land they farm.

Much effort can, therefore, be constructively be put into programs to assist landlords and share croppers to effect an orderly change that will see the subdivision of many and perhaps the bulk of the country's large estates into small and medium sized farms operated intensively for the production of livestock products, vegetables and fruits. Programs for roughly similar objectives have been in progress in the United States for decades and the type of credit provided for the purpose has been aptly called "ownership" credit.

While it is difficult indeed to estimate the need for such credit it is presumed herein that the total amount needed for the purpose may ultimately be at least as large as that needed for settlement credit, as described above, or ID 50,000,000 so that the prospective funds that will be required for settlement and ownership credit may in a half century reach ID 100,000,000 of loans outstanding each year.

Farm Machinery. A great share of the mortgage and settlement ownership credit described above will, of course, be used for the purchase of farm machinery. The question of credit for such machinery is, therefore, in part merely a problem of the additional amounts needed and, in part, one of the methods that should be used to facilitate the constructive purchase of farm machinery for farm modernization in Iraq.

That there will be great amounts of farm machinery purchased over the next few decades in Iraq is practically axiomatic. The country has spectacular oil reserves, considerable refining capacity and more planned. Fuel and lubricants for the tractors, which are the central features of modern farm mechanization, are, therefore, already available at modest cost. Tractors multiply the effectiveness of farm labor to a startling degree so that tractorization is already proving profitable and the export of oil, barley and dates is already providing the country with quite generous supplies of foreign exchange that can be used to import both tractors and the other machines to be used with them.

In the United States the value of farm machinery in use on farms in 1955 totalled $17,700,000,000 and the prospects are that the value of such machinery in Iraq may in a half century approach ID 200,000,000. The volume of business and credit associated with such machinery is certain to be of such a magnitude that special credit facilities will be needed. That is, suitable credit arrangements will lower the cost of such machinery to farmers and assist them to pay for it out of increased earnings incident to its use. There is urgent need therefore, to make provision for such machinery credit so that a basis of experience in the handling of such credit both by the lending agency or agencies and by farmer borrowers may be acquired as expeditiously as possible.

Livestock. Livestock at present in Iraq is fed almost entirely from aftermath and range pasture. There is little forage production and only a small amount of that intensive feeding for milk, egg and meat production that is the major characteristic of livestock husbandry in Europe and the United States. But intensive feeding of livestock has made a beginning in Iraq and with enlarging markets, better prices and much improved transportation, animal husbandry can be expected to become the major farm enterprise in this country just as it is in Europe and the U.S.

In the United States there is great specialization in meat production and much livestock (both cattle and sheep) move from ranges to fattening pens at the end of the range growing season. Fattening greatly improves the palatability and nutritional quality of meat and Iraq has vast quantities of barley, cull dates and oil cake which together with alfalfa, berseem and other roughages can be used as a fine conditioning and fattening ration for both cattle

and sheep. Probably, therefore, the near future will see a greatly increased movement of cattle and sheep from range and other grazing areas to centers of heavy barley, date, alfalfa and berseem production.

Great amounts of credit are used in the U.S. to finance the purchase of livestock for fattening and the provision of such credit for Iraq would certainly facilitate and hasten the strengthening of livestock production generally in the country.

Data are not available on loans to farmers for the purchase of livestock in the U.S. but each year farmers of that country pay out between 1.5 and 2.0 billion dollars for livestock purchased. An estimated one fourth to one half of this amount is paid for on credit so that the volume of livestock credit in that country is very large indeed. In Iraq specialized livestock credit will probably develop slowly but the need for such credit is already apparent.

Production. One class of farm credit that is improtant to farm operations but which overlaps those categories of credit discussed above, is production credit. In fact machinery and livestock credit are only particular kinds of production credit but, in addition to these, farmers often need credit for the purchase of feed, seeds, fertilizers and other supplies. Farmers in the United States, for instance, in 1954 paid out over $4 billion for feed, over $1 billion for seed and over a half billion dollars for fertilizers. Data are not available on expenditures of Iraqi farmers for the same types of supplies but it is safe to say that they are large and that the modernizations of farming in the country will see them greatly increased.

In the U.S. such production credit is obtained by farmers chiefly from commercial banks, which provided California farmers with short term personal and collateral loans to a total of ID 120,235,000 (outstanding in 1955) and Arizona farmers with, ID 19,272,000. Such personal and collateral loans were used chiefly for purposes of production. The counterpart to this type of credit in Iraq are the loans to farmers and livestock men by merchants and traders. Because of the high rates of interest charged by these the volume of such credit in Iraq is almost certainly very small and the lack of such credit in volume and on reasonable terms may be one of the most severe of all limitations to the rapid and smooth expansion of farm production in Iraq.

Parenthetically also U.S. farmers have easy access to banks since every town of any size in that country has one or more commercial banks. In Iraq by contrast commercial banks are confined to the major cities and to Liwa capitals and are, hence, out of reach as far as most farmers are concerned. The lack of provision for such production credit may well be, therefore, the greatest single gap in the farm credit system of the country.

Cooperative Associations. Iraq has few if any genuine farmers' cooperative associations at present but there is great interest in the country in the formation of such associations and a real desire to use them to help farmers improve both their marketing and production activities.

Cooperative credit is very important in most European countries and in the U.S. In the U.S., for instance, there were in 1952 a total of 10,114 farmer's cooperatives and most farmers of the country were members of one or more such cooperatives. The state of California alone had 469 such associations and Arizona 19. The California associations did a business of $863,000,000 in 1952 and those in Arizona a business of $23,000,000 the same year.

Iraq already has a Bank for Cooperatives interested in assisting farmers' cooperatives with both organizational and financing problems and the probabilities are that farmers of the country will desire in time to make use of the facilities so provided. The volume of credit needed may be for a long time quite small because of the need first to organize such cooperatives.

Summary. For purposes of planning, these figures on types of credit that may ultimately be needed are significant as long term goals. For immediate consideration it is, however, more useful to forecast the probable need for credit at the end of the next 10 years or in 1967. In the table below a forecast of that kind is offered. All figures in the table should be accepted as rough and tentative and as provided for planning purposes only.

Table V
Estimated Farm Credit Needs
In Terms of Credit Expected to be Outstanding 10 year from now or in 1967.

Mortgage Credit	
General	ID 10,000,000
Settlement	5,000,000
Production Credit	
General	2,000,000
Machinery	2,000,000
Livestock	750,000
Credit for Cooperatives	250,000
Total	ID 20,000,000

EXISTING FARM CREDIT AGENCIES

Iraq is already making some effort to supply farm credit. It has created the Agricultural Bank which has been in business since before 1920 and the Bank for Cooperatives which was recently opened but which to date has done virtually no business.

These beginnings have been both too small and much too ineffective. In 1953 the Agricultural Bank had outstanding a record amount of loans but only a fraction of the amounts needed for adequate farm financing in the country. Unfortunately also the Bank's loan and collection policies have clearly been faulty as indicated by the great percentage of its loans persistently in default.

The annual reports of the Agricultural Bank, as in the table below, indicate how serious has been this defaulting on loan and interest repayments during recent years. For the period 1954-1950, inclusive, delinquency was persistently at the 60 per cent level if postponements are added to delinquency from which they are not too much different. Both delinquency and postponements have declined in more recent years but in 1953 were, together, still 26 per cent which must also be counted very high.

Table VI

AGRICULTURAL BANK--LOAN REPAYMENT AND DELINQUENCY, 1940-45 and 1949-53 FISCAL YEARS

Fiscal Year	Loans No.	Amt. Due ID	Amt. Recd. ID	Loans Postponed Amt. ID	Loans Postponed Percent %	Loans Delinquent No.	Loans Delinquent Amt. ID	Loans Delinquent Percent %
1940	1836	94,692	61,350	19,964	21	363	13,378	14
1941	1923	102,627	55,320	27,402	27	607	19,904	19
1942	3173	127,942	89,661	20,990	16	530	17,290	14
1943	1352	68,546	50,366	13,368	20	142	4,812	7
1944	714	48,369	14,078	12,701	26	36	1,591	3
1945	1073	90,619	36,156	14,250	16	537	40,214	44
1949	-	279,975	103,333	50,507	18	-	120,034	43
1950	-	280,530	107,521	50,508	18	-	122,501	44
1951	-	233,624	143,095	53,334	15	-	55,195	24
1952	-	202,545	146,950	32,741	16	-	22,854	11
1953	-	315,317	234,757	36,589	12	-	43,971	14

Data on mortgage loan delinquency in the U.S. are not available but, except in the severe depression of the 1930's were much smaller than these for the Iraq AgriculturallBank. Data on farm foreclosures and bankruptcies in the U.S. are available for recent years and are so

low as to be unimportant. That is, in 1955, when the rate was the highest in nine years, only 1.9 farms per 1000 were transferred because of foreclosure or bankruptcies.

These low forced sales figures for the U.S. illustrate how small are the risks of loss from delinquency of farm loans in that country. The high delinquency rates for Iraq, therefore, almost certainly indicate faulty loan and collection procedures rather than any basic fault in farm credit as such. If that be accepted as the case the modernization of the country's farm credit must be achieved by a great strengthening of its farm credit institutions, their organization and procedures. A proposal for that purpose is presented in the remainder of this paper.

REORGANIZATION PROPOSALS

The Iraq Government has in recent years set up four special purpose banks to assist it with various phases of the development of the country. These banks include the Agricultural Bank, Cooperative Bank, Mortgage Bank and the Industrial Bank. Some valuable work has been accomplished by these four banks and some needed experience on important aspects of development financing gained. None of the four have become particularly large or powerful, however, and there may, therefore, be something to be gained by consideration of the merging of two of the four(the Agricultural and Cooperative Banks) into a single larger institution with broader functions in the field of agricultural finance. Even the merger of these two banks, however, would not provide coverage for the whole field of financing of farmers. The new institution born of the merger would need to provide much better facilities for production credit including machinery and livestock credit. Also, as noted above, there is great need for more adequate settlement and ownership credit. Basically, therefore a full farm credit service for Iraq would need to provide for four major units. These would be Banks or Divisions for

1. Farm Mortgage Credit
2. Production Credit
3. Settlement (and Ownership) Credit
4. Credit for Cooperatives

Four such major Banks in what might be called The Iraq Agricultural Credit Adminstration would, if well and aggressively administered, provide the full line of credit needed by Iraq's farmers. Such an institution furthermore, would be (indeed must be) large enough to command the services of an unusually competent President as chief administrator or executive who should, ideally, have not only a first rate background in finance and banking but should have an equally good acquaintance with the country's agriculture as well.

Chart I below, indicates the organization suggested for the proposed Agricultural Credit Administration. Charts II to VI, are included later to indicate the organization proposed for the four component banks and the Liwa Branches of the ACA.

The departmentalization of the Iraq Agricultural Credit Administration (ACA for short) as suggested above would carry with it some distinct advantages. The Farm Mortgage Bank could take over the assets of the Agricultural Bank so that it would have portfolio of loans right from the start. The provision for Production Credit could start slowly and soundly, after careful financial procedures for machinery loans, livestock loans and other productions loans had been worket out. The same is true in respect to settlement and ownership loans the procedures for which should be worked out with the Miri Sirf Land Development Administration. The MSLD has already had considerable experience with loans to settlers on its projects and may be glad to have this credit function taken over, enlarged and generalized for all Iraq's farmers by the proposed ACA. If this were done a small portfolio of loans already make could be taken over by ACA from the MSLD financial section.

In the case of cooperative loans the establishment of a Cooperative Bank in a proposed ACA would almost certainly work out much more economically than having an independent Bank for the purpose as at present. Actually any great volume of loans for cooperative associations may be as much as 5 or even more years away. A Cooperative Bank in the ACA would not be under at all the same pressure to justify its existence as will the present independent Cooperative Bank. The ACA Bank could, therefore, proceed more slowly and constructively to work on the formation of cooperative associations and to study their financial needs in detail before making any loans. Such study is needed if loans are to be made so as to strengthen rather than, in the end, actually to weaken the cooperative movement in the country.

Under the suggested ACA set-up also a suitable place can be provided for credit supervision. As indicated above, earlier lending of the Agricultural Bank has run into difficulties. Both administrative and lending procedures of the ACA would need, therefore, to be made stronger than those of that Bank if it is to perform well its much enlarged responsibilities. The best method of insuring more effective lending and collection is to extend all or most of the loans of the ACA under supervision. Such "supervised credit" has, in the last 30 years, become common over much of the world and the huge Farmers Home Administration in the United States makes all of its loans under intensive field supervision.

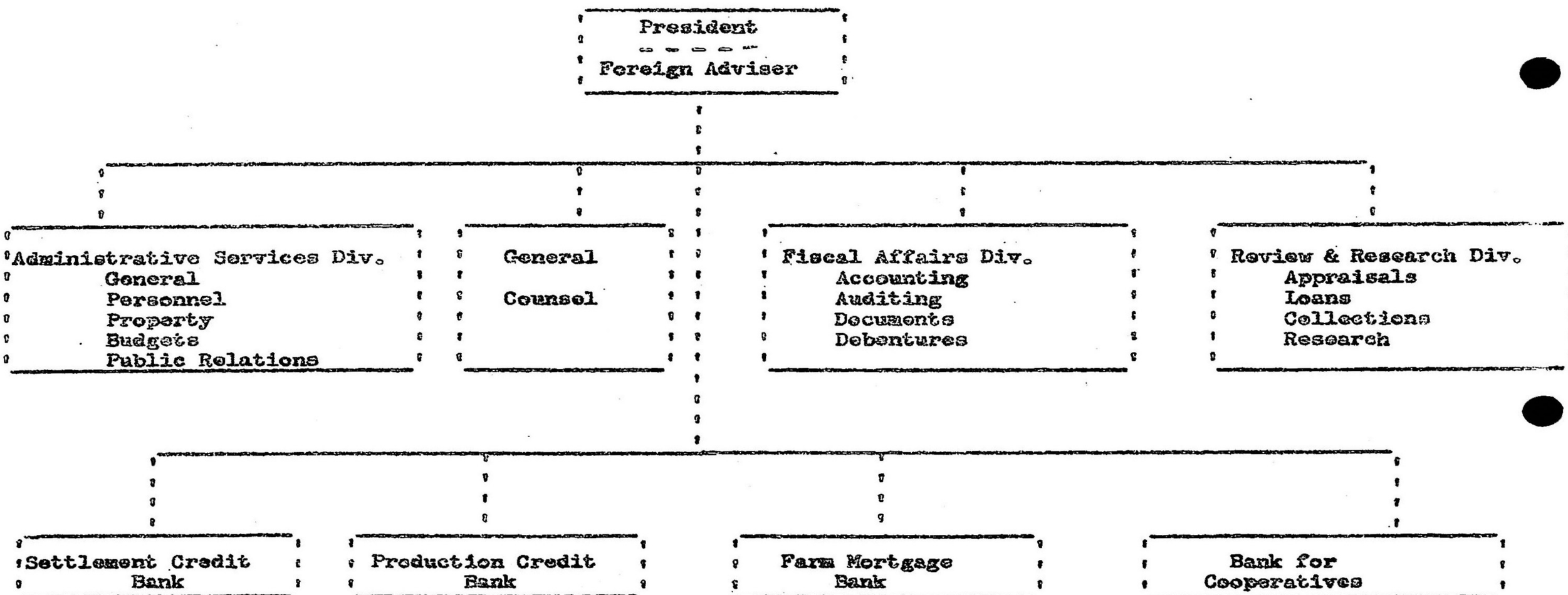
A considerable supervision is also provided for loans made by the still larger U.S. Farm Credit Administration with its major agencies the (1) Federal Land Banks, (2) Intermediate Credit Banks, (3) Production Credit Cooperations and (4) Cooperative Banks. However,

Chart I

proposed Organization

- - - - -

IRAQ AGRICULTURAL CREDIT ADMINISTRATION



supervision of the loans of the Farm Credit Administration is much less universal and far less intensive than for those of the Farmers Home Administration. Iraq may well also find it advisable to provide loans with varying degrees of supervision and can establish the proposed ACA with exactly that in mind.

For the U.S. the most intensive supervision of loans is provided to (1) first borrowers, (2) younger borrowers, (3) borrowers who possess inadequate security and (4) borrowers who are making the step up from tenant to mortgaged owner.*

For the ACA the provision for supervision could be placed on an administrative basis with a regulation for the guidance of its officers specifically drawn up for the purpose. Such regulation would probably provide for field supervision for all loans (1) under some certain sum (say ID 500) made to beginning and young farmers (3) made to all settlers on Miri Sirf lands or on subdivisions for settlement of private estates and (4) made to any borrower having an earlier record of uncorrected or final delinquency with the Agricultural Bank or any other government lending agency. The regulations could then go on to provide that borrowers who have established so good a record under supervision as to have earned the recommendation of their loan supervisor for a next loan on an unsupervised basis, could be granted that privilege. Probably also the regulation should go far enough to provide for the clamping of field supervision on any regular loans that, for any reason, have become delinquent.

Loan supervision of varying degrees has become a fixed aspect of farm credit systems in countries with highly modernized farming and is certain to have a permanent place also in Iraq.

The proposed reorganization and expansion of farm credit is clearly needed if balance in the country's developmental program is to be maintained. The results of opening up great new areas of land for settlement are going to be disappointing unless farmers can quickly and effectively get these lands into production once water is provided for the purpose. The objective of the development program, of achieving a great expansion of farm production, cannot be achieved unless adequate farm credit to facilitate that expansion is provided. Also Iraq's farmers will be able to improve their incomes, which are at present often exceedingly low, only if they can modernize their farming practices and to do this they must learn to make use of credit much more effectively than they have in the past.

*Under the so-called tenant-purchase loan program of the Farmers Home Administration.

FINANCING MODERN FARM CREDIT

In Iraq funds from which farm credit agencies such as the present Agricultural Bank make their loans are provided by government. Subscriptions to the loan capital of the Agricultural Bank are made by appropriations approved by Parliament. Parliamentary debate undoubtedly does consider the credit needs of farmers in the provision for such capital but such debates comes only at long intervals so that in fact loan capital or capacity, and need for farm loans are either poorly related in Iraq or not related at all. What is needed, therefore, is more flexibility in the provision for capital for the making of farm loans and the methods that other countries, notably the U.S., employ in this matter are, therefore, of interest.

For that part of its financing of farmers that is carried on by its commercial Banks (a considerable portion of the total of such financing) the U.S. has established the huge Federal Reserve System which permits member banks of the system to discount commercial paper with 12 District Federal Reserve Banks and thus to replenish their loan capital whenever they find themselves running short of funds and still wishing to make loans. Seldom since the establishment of the Federal Reserve System has there been a serious shortage of bank loan funds in U.S. farm communities despite the fact that many of the smaller banks in rural towns do not belong to the system. These smaller banks do commonly have as correspondents larger banks that are members. When the small banks run short of loan funds they can and do discount eligible paper (usually promissory notes) with these larger correspondent banks which, in turn, present these to the Federal Reserve banks when they need money.

Much more important for Iraq, where commercial banks do little farm lending, is, however, the method by which the great government sponsored farm credit agencies of the U.S. assure themselves of a sufficiency of loan funds to meet demands.

In the case of the U.S. Farm Credit Administration all borrowers are required to make a subscription to capital stock of the lending agencies amounting to 5 per cent of their loans. The lending agencies are then permitted, by law, to issue and sell debenture bonds up to 20 times their capital stock. That means that they are in effect able to sell bonds in an amount equal to the loans they make and are, therefore, provided a means of obtaining sufficient loan funds at all times.

The lending agencies pay dividends on this stock if they earn them and buy back the stock when the farmer pays the last of his loan. Usually the stock is repurchased at full price but if the lending agencies suffer losses the repurchase price may be reduced.

This method, used so broadly, and successfully in the U.S., could be employed in Iraq but if used would need to be explained with particular care to farmer borrowers who, in this country, have so very little acquaintance with stock certificates or financial securities of any kind.

Before this method could be adopted in Iraq, however, there would need to be statutory provision permitting the ACA to sell debentures or bonds based on its loans. This matter is probably worthy of most serious consideration. Investors in all Western middle class economies invest huge amounts in financial securities: that is, stocks and bonds. Iraq now has, particularly in Baghdad, a large and growing middle class many of the members of which must now be looking for similar promptly resalable and, hence, essentially liquid securities. These would be thepeople who would purchased ACA debentures.

Such investors may, however, need some special assurances as to the safety of their proposed investments in the ACA debenture bonds or notes* For that purpose the government of Iraq should probably provide a guarantee of principal or interest, or both, on all bonds and notes issued by the ACA. Such guarantees have been provided investors by the U.S. government in similar circumstances.

There are many ways of providing such guarantees. Commonly governments in cases of this kind guarantee payment of both principal and interest. In other cases there may be guarantee of principal only. Likewise various percentages of principal may be guaranteed and the guarantees need not to be in perpetuity. The Iraq government could for instance, guarantee these ACA debentures only till investors had gained a closer acquaintance with the character of the issuing agency and its ability to make collections of principal and interest on its loans and thus to obtain income to meet bond payments as these came due.

Quite surely the government of Iraq should, to begin with, guarantee both principal and interest of any debentures the ACA is permitted to issue. Such guarantees are particularly necessary as long as heavy outlays for loan supervision will be a necessary part of the operating expenses of the ACA. On small loans particularly, costs of supervision may eat up all earnings to be derived from such loans.

Government guarantees, even of both principal and interest, may not, however, insure the debenture bonds of the ACA a sufficient market. Economical sale of such debentures often requires that they

*Notes rather than bonds would be used by the ACA when it wished to raise funds for use over short periods only.

be issued in large lots of say ID 1,000,000 or more. In a large investment market, such as exists at all times in the U.S., marketing large volumes of securities is not too difficult. In Iraq an adequate market is much less certain.

Under the circumstances the Government may need to do several things to insure the ACA the funds it needs. First, the Government may need to agree to purchase the bonds which the ACA cannot itself market. Second the commercial banks of the country may need to be permitted to keep part of their reserves in such bonds. Third, the government could make such bonds eligible for purchase and use as reserves by insurance companies, charitable and religious trusts, the postal savings, port authorities and so on. In the United States the huge social security fund accumulations provide a great market for government bonds and, with the new social security provisions now in force in Iraq, there may in time be similar funds for investment here.

Bond sales, to finance the ACA will almost certainly prove to be the preferred method of financing farm loans in Iraq particularly over the long run. The government may need, however, to use supplementary means of financing to insure funds while a market for ACA bonds is being developed. Other nearby countries, notably Turkey, have used special taxes to obtain the needed funds. The Iraq government might wish to use part of the revenues from the proposed rural land tax for such a purpose. Alternatively, if a charge or tax is to be paid for irrigation water supplied by government (to amortize costs for irrigation and drainage ditches and other structures) a small percentage of the revenues so collected might be appropriated for the express purpose of providing funds for farm credit.

Funds from these sources used as a government contribution to the capital stock of the ACA would strengthen the security and marketability of its bonds. Arrangements of this kind might, indeed, be used so as to make the bonds acceptable as a basis for a loan to the ACA from the International Bank for Reconstruction and Development if that should prove advisable.

One more thing that could be done to improve the marketability of such debentures would be to make the returns to them (interest on them) tax exempt. That is exactly what was done for Federal Land Bank debentures in the U.S. and did help greatly to give them a ready market.

As will be noted below, an institution such as this proposed Agricultural Credit Administration can expect in time to earn a considerable income. In the U.S. the Farm Credit Administration has been able, during recent years, to earn enough to pay operating expenses and to pay steady and good dividents on the stock which borrowers purchase when making loans. By contrast the costs

of the Farmer's Home Administration are only partly covered by income and a very considerable part of its expenses are, therefore, paid by the U.S. government.

The proposed ACA would in fact combine elements of both these major U.S. farm credit institutions and should not, therefore, be expected to cover all its costs particularly at first. As noted earlier much farm credit in Iraq must first be made on a fully supervised basis. Such field supervision, while a major defense against delinquencies and defaults, does raise costs of operation sharply. It has been customary to count much of these costs for loan supervision as educational and training costs and, therefore, as costs the government should pay.

Also land settlement and ownership programs represent goals of the Iraq government itself so that it may also justifiably undertake payment of part of the costs for this type of credit.

In the U.S., major officials of both the Farm Credit Administration and the Farmers Home Administration have their salaries paid by the government and that fact may provide a further clue as to how far the Iraq government may feel it can go in underwriting costs of the proposed ACA.

The following principles are proposed for guidance on government financing of the ACA.

1. There should at all times be a determined effort to reduce government support to a minimum.

2. To keep interest and other charges on loans made to farmers as low as possible, there should at all times be a major effort to achieve the highest efficiency of operation.

3. Government should undertake payment of costs for credit supervision and should, therefore, pay the cost of all field credit supervisors.

4. Because the exercise of control by government does increase costs of operation, government should pay all costs for major officers of the administration in accordance with a list established for that purpose. That list would include.

1. President
2. Foreign Adviser
3. Directors General of the four banks
    a. Farm Mortgage Bank
    b. Production Credit Bank
    c. Settlement Credit Bank
    d. Bank for Cooperatives

4. Heads of major administrative divisions
   a. Administrative Services Division
   b. General Counsel
   c. Fiscal Affairs Division
   d. Review and Research Division
5. Heads of all Branches established by the ACA in the Liwas (14 in all).

With government assumption of these costs as suggested above, the ACA should be able, as soon as it has a reasonable volume of business, to defray all other costs. Government will, however, need to assure that all costs will be covered for the first years of operation. The ACA should be requested in its budget submission for each of these first years, to indicate (1) the volume of business it believes necessary before it can itself pay costs of operation, (2) a forecast of when and how it expects to achieve that volume of business and (3) an itemized statement of the government subsidy it will require to cover its anticipated outlays for the budget year.

LENDING OPERATIONS

The usefulness and success of the proposed ACA will be pretty much determined by the effectiveness of its lending operations. There must be a large volume of loans both to support the active development of its farming that the country now so greatly requires and to put the ACA on a self supporting basis. However, all loans made must be good loans and volume must never be achieved in a manner to compromise or endanger collections.

Making good loans is a complex art and only the major procedures to insure as rigidly as possible that all loans are good loans can be discussed here.

One of the first requirements for the making of good loans is the establishment of a sound system of security appraisal. Each of the four banks will need a highly trained chief appraiser to be made responsible for training and supervision of field appraisers. Appraisal forms need to be prepared and there needs to be space on such forms for a brief review of the character of the proposed borrower, together with an estimate of the applicant's real intention to repay. Appraisal procedures in use in the U.S. where there are now decades of accumulated experience in farm lending, should be studied. The appraisal forms in use there can easily be obtained and translated for adaptation to use in Iraq.

In addition to the appraisers for the Banks, however, the major U.S. farm credit agencies employ, as a major official, a Reviewing Appraiser whose job it is to review and pass on all appraisals before they may be accepted as a basis for lending.

The reviewing appraiser, however, also carries on constant investigations to (1) provide field appraisers with a flow of information that will assist them in making accurate value determinations (2) determine whether appraisals are kept uniform in the various lending districts (Liwas) (3) suggest changes in appraisal procedures or forms when these appear advisable. It is the Reviewing Appraiser that the President of the ACA would hold finally responsible for the making of field appraisals upon which lending operations could be safely conducted.

Many rules governing lending operations need to be established rather by the law itself or written regulations, however. Thus the maximum percentage of appraised value that may be loaned is best put right into the law and is indeed already in the Agricultural Bank Law. Probably in Iraq, with its complex system of land titles and tenures, basic loan limitations established by law need to be further spelled out by regulations. Thus if a basic 50 per cent of appraised value for loans on land held under Mulk tenure were to be established, corresponding and lesser limits will almost certainly be needed for Tapu and Lazma tenures.

Since the majority of land in farm holdings is held under Tapu or Lazma titles both law and regulations may be needed to spell out and simplify lending procedures for use in connection with such lands.

In the U.S., the Farm Credit Administration may lend on first mortgage only and loans are limited to 50 per cent of appraised values of the real estate offered for security. The Farmers Home Administration on the other hand may lend a higher percentage of appraised value and many of its loans are so called character loans rather than loans made on real estate security.

One further and imperative element of loan procedure is to have an abstract of title prepared for each and every loan. Only then can the lending agency be sure that it will not become involved in expensive title suits.

Viewed from the side of the borrowers, one aspect of loan procedure is of vital importance. That is, the borrowers will wish to have explained to him exactly what sort of loan he is getting. Such explanation should be provided. Some and perhaps a good many borrowers in Iraq will be unable to read and that will require oral explanation. However, the ACA will wish first to think through and then publish leaflets designed to inform farmers of the exact terms under which they may borrow and, equally, the terms under which the repayments of the loans are to be made.

LOAN TERMS

A great deal of experience in the U.S. and Western Europe indicates that farmers need long term mortgage credit and short and intermediate term production credit.

In Europe it is not uncommon for farm mortgage loans to run as long as 40 years. In the U.S. a 30 year maximum is common and many mortgage loans run only 10 and 20 years. The time has probably come, therefore, when the period of the farm mortgage loan in Iraq should be extended to 20 years and in selected cases to 30 years.

There are also many forms of mortgage repayment and of these the one most common now in the U.S. is the so-called amortization plan. There are a number of variations of this plan but one in common use is to fix a percentage payment of the total loan that will, when paid each year, retire the entire loan in a given period of years. Thus if the interest charge is 5 per cent a year the total charge may be set at 6 or 7 per cent of the total loan. Then the total loan. Then the borrower pays a fixed amount known in advance each year. A one per cent loading of the interest rate under this method repays the entire loan in about 30 years and a 2 per cent loading retires the loan much more quickly. The first year's payment in either case is mostly interest but the last year's payment is mostly principal.

The interest rate charged is, of course the most important loan.term to the farmer borrower. Most Western countries have made great efforts to keep such rates low and yet realistic. Rates too low stimulate borrowing unduly and rates too high limit borrowing too sharply. Probably the most satisfactory rate for government sponsored agencies is one that is not heavily subsidized by government but nevertheless supported by a government guarantee on the debenture bonds sold for the purpose of financing lending. In the U.S. such is, in fact, the character of the rate charged on mortgages by the Farm Credit Administration and its Land Banks. Yet such rate has not discouraged farm mortgage lending at competitive rates by insurance companies, commercial banks, individuals and the like. In fact, in 1955, life insurance companies had nearly twice as much money invested in farm mortgages in the U.S. as the Federal Land Banks and individuals nearly three times as much.

For major governmental financing agencies, such as the ACA would be, there are always two elements in the structure of the interest charges made on loans. These are, first, a charge to meet the interest that must be paid on the money used for the making of the loans. If the money is obtained from government it is the government's privilege to set the interest rate that must be paid. If the money is obtained by the sale of debentures or notes the interest rate must be set by taking account of the rate paid on the debentures or notes. Market conditions then, in effect, govern the rate.

The second aspect of the structure of the loan rate of interest is the margin to be charged by the lending agency. In the United States the Federal Land Banks charge approximately one per cent above the debenture rate. Thus if the debenture bonds of the Land Banks can be sold to yield 3 per cent the loan rate to farmers is 4 per cent. The Production Credit Associations on the other hand charge approximately 1½ per cent additional so that if financed by notes or bonds carrying 3 per cent, charges to farmers on their loans are 4½ per cent. Generally the smaller the average loan the higher the margin charge must be if costs of the lending agency are to be covered. Average loans in Iraq are lidely to be small in comparison to an average of similar loans made for instance by the U.S. Farm Credit Administration.

In 1955 the U.S. Federal Land Banks had outstanding 325,624 mortgage loans for a total of $1,280,944,000 or an average of $3,934 (or ID 1405) per loan. Loans in California and Arizona averaged much larger and were, for loans made in 1954 in California, $10,430 (ID 3725) and in Arizona $11,930 (ID 4261). Production loans average much smaller than mortgage loans in the U.S. and will probably average smaller also in Iraq.

If a margin of one and 1½ per cent is appropriate in the U.S. a margin of 2 per cent on mortgages and 2½ per cent on production loans is probably appropriate in Iraq. If government guaranteed debentures could be sold in Iraq for 5 per cent the cost of mortgage loans to farmers would, with a two per cent margin charge, be 7 per cent and for production credit loans, 7½ per cent. Both of these, in fact, represent moderate interest charges in comparison to charges now current on loans from private lenders.

PROPOSED ORGANIZATION FOR THE ACA

The organization of the proposed Iraq Agricultural Credit Administration is given in the Charts I above and II to VI below. To facilitate unity and simplicity of administration much similarity between the central Agricultural Credit Administration and its component banks has been provided. This similarity has been carried over into the proposed Liwa Branches of the ACA as well.

The line of command runs in Chart I from the President to both "Staff" and "Operating" agencies. The functions of the staff divisions are probably evident enough though it should be pointed out that the "Fiscal Affairs" Divisions will have charge of the immensely important matter of issuing debentures and notes for sale and will also have, therefore, the important tasks of establishing suitable trust arrangements, adequate classification of all documents upon which debentures (or notes)are to be based and for advising the President on terms to be incorporated into the debentures.

Chart II

Farm Mortgage Bank

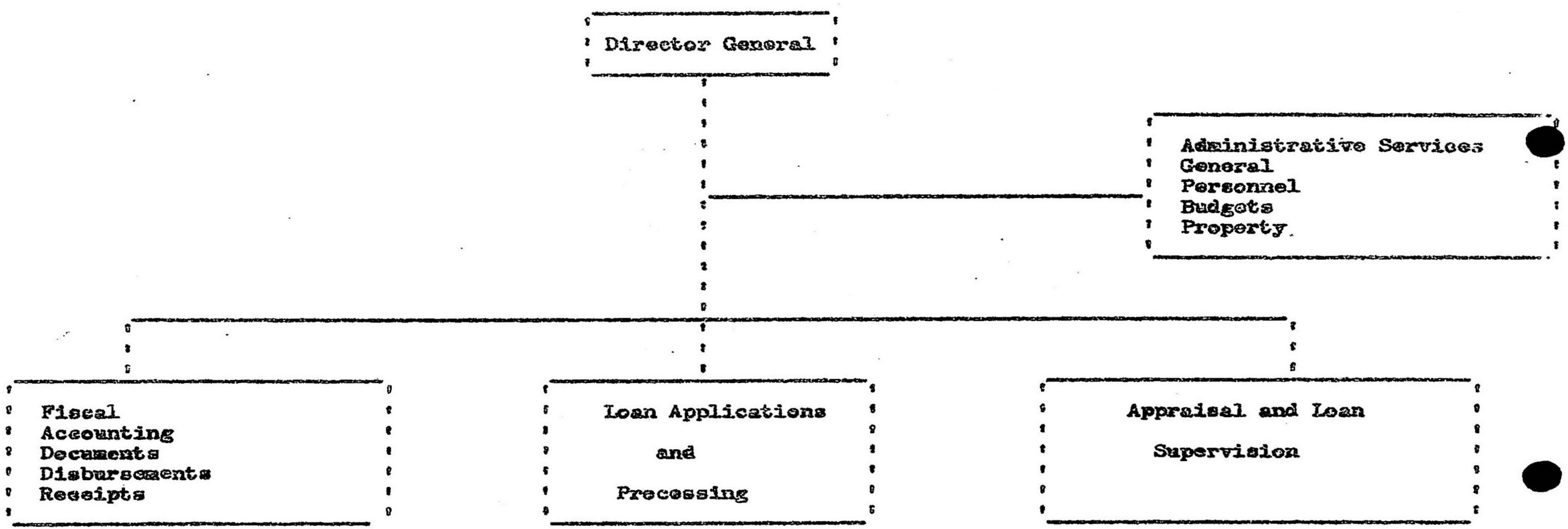


Chart III

Bank for Production Credit

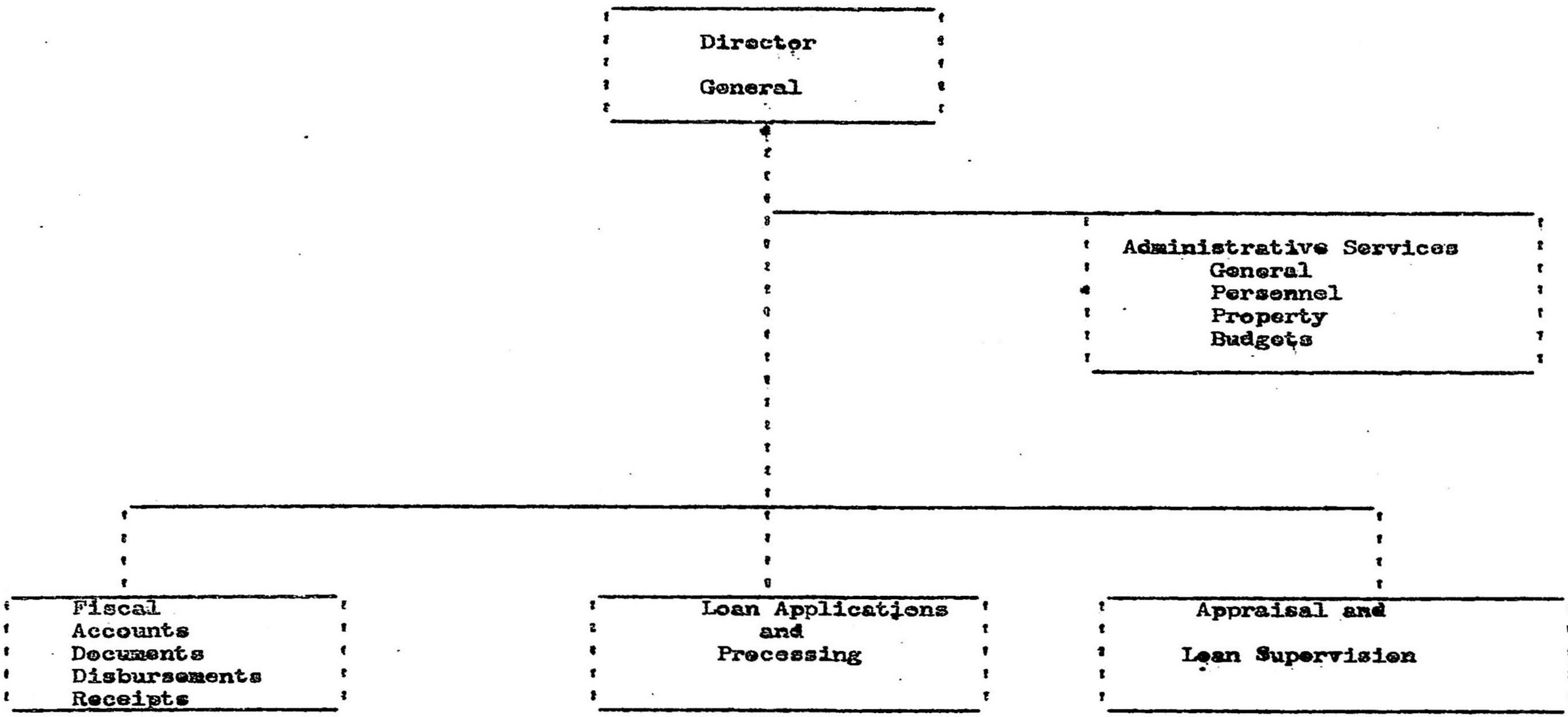


Chart IV

Bank for Settlement Credit

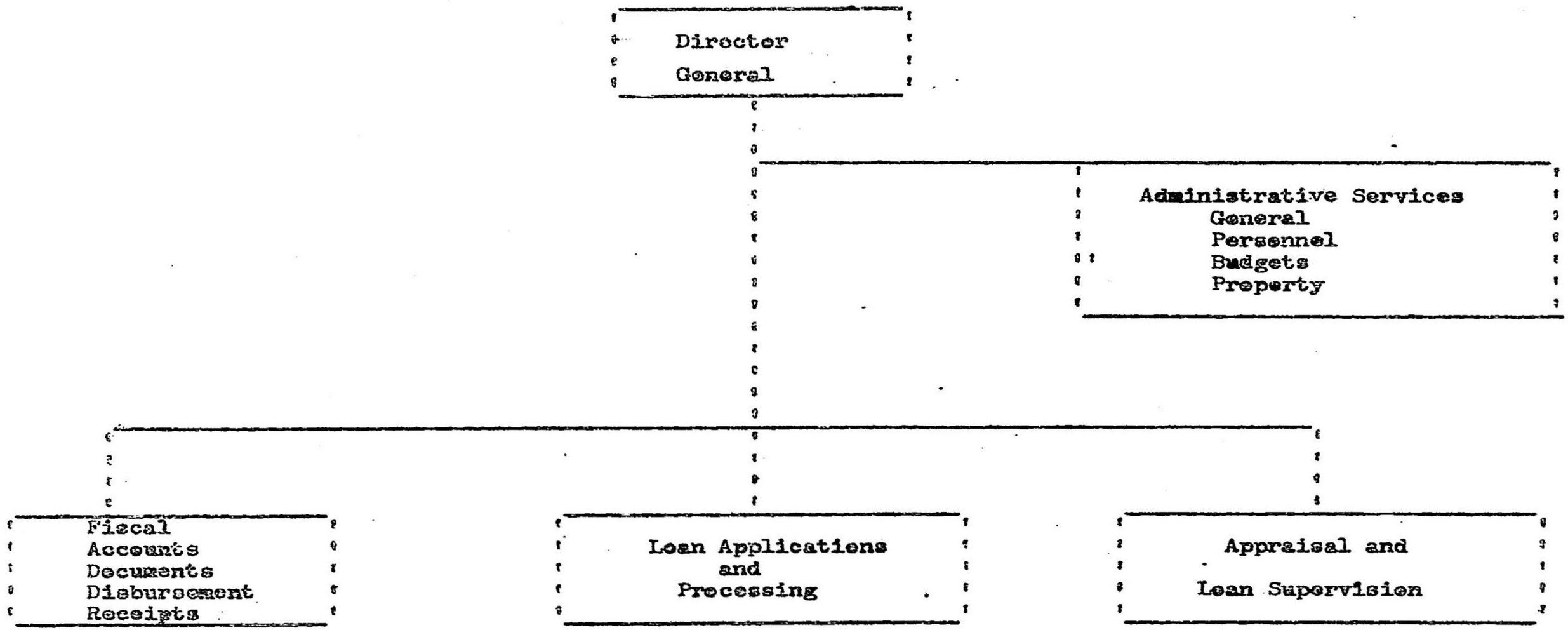


Chart V

Bank for Cooperative

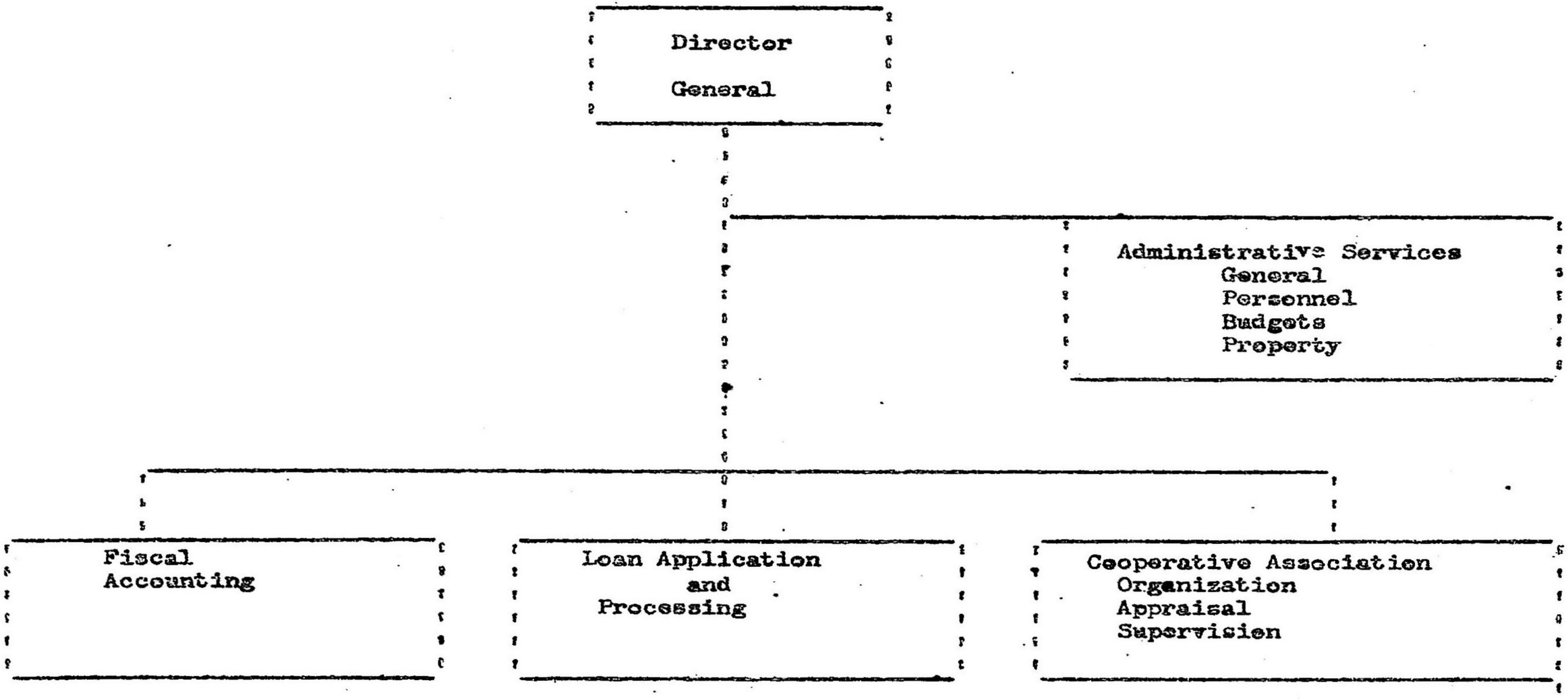
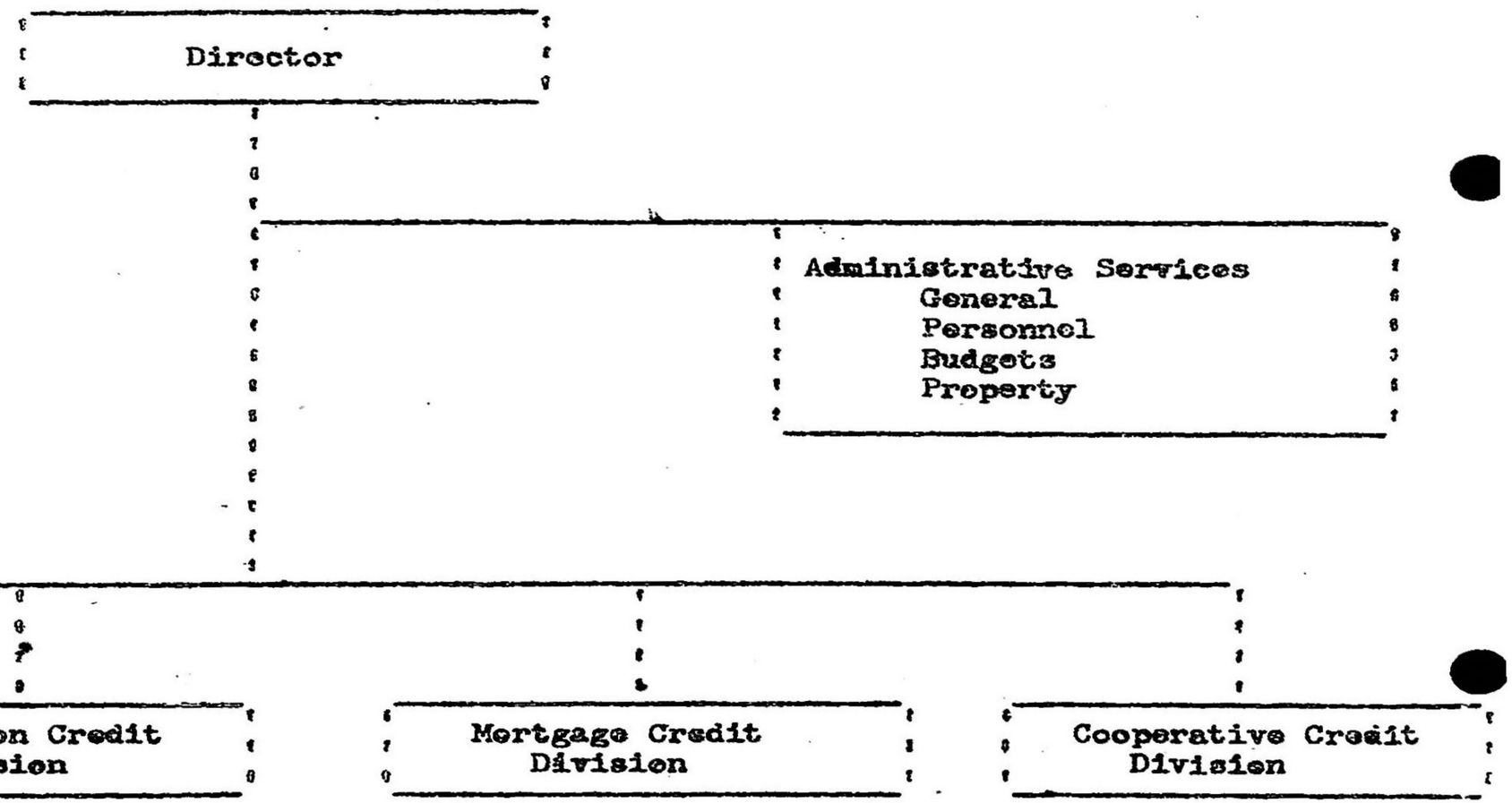


Chart VI

AGRICULTURAL CREDIT ADMINISTRATION

Liwa Branches



Functions for all staff divisions should be spelled out in detail and that can best be done by a review of what similar functions have proved to be in agencies such as the Farm Credit Administration and Farmers Home Administration in the U.S. Similar spelling out of functions and responsibilities will be needed for the all important operating agencies: the Settlement, Production and Farm Mortgage Banks, and the Bank for Cooperatives.

Turning to Charts II to V the notable feature of the organization for the individual Banks has been the prevision in each case for an Appraisal and Loan Supervision Division for each Bank. These Divisions will constitute the Banks major defenses against poor loans. It is in these Divisions that major contact with Liwa Branches and with borrowing farmers and cooperative associations will be maintained. Loan supervision is almost certain to be a major feature of farm lending in Iraq for generations and the personnel to man these "Appraisal and Loan Supervision Divisions" need to be most carefully trained and directed.

One further aspect of these proposed Liwa Branches (see Chart VI) needs intensive consideration. That is, the matter of how farmers can be brought into contact with and be taught how to use these ACA facilities. In the U.S. there are commercial banks in virtually every small town and both Farm Credit Administration and Farmers Home Administration have local offices. In Iraq the ACA will either have to establish local offices or agents of its own or make use of the Agricultural Extension Service and Community Development Service. Because farm credit is potentially so useful to both Extension and Community Development programs, the ACA could well afford to establish a close liaison with those two services as a means of getting in touch with farmers who both need and give promise of being able to use credit effectively.

Later on when a considerable number of loan supervisors have been employed by the ACA and have both offices and active programs in local districts the need to depend on Agricultural Extension and Community Development personnel will be less but it will be valuable nevertheless to maintain a good working relationship with both these agencies on a continuing basis.

STAFFING THE ACA

Of utmost importance to the ACA will be the appointment of a President with rank, authority and capacity sufficient to energize the entire organization and make it live up its responsibilities and potentialities. Actually this agency, if operated actively and aggressively, could be about the equal in importance to the farmers and the agriculture of the country of the entire Ministry of Agriculture. And this can be said without in the least detracting from the importance of the Ministry. A man with a rank approximately equal to that of a minister should therefore be placed in charge.

Subordinate officers and personnel need to be selected with similar great care. With its large responsibilities and program the ACA will, indeed need to make a special effort, first, to get high quality personnel, second, to establish an in-service or on-the-job training program and, third, to set up a program for training selected personnel with farm credit agencies of similar character in other countries probably chiefly the U.S.

Fortunately, however, the ACA if constituted as is herein proposed could take over some or all of the personnel of the Agricultural and Cooperative Banks and might also absorb some of the Miri Sirf personnel concerned with the granting of loans to settlers on the Miri Sirf projects. A staff with considerable operating experience would, therefore, be available from the start.

Probably, however, the ACA should expect as soon as organized to appoint a training officer who, with the Foreign Advisor, could then organize and conduct courses for the benefit of employees. If such courses were organized with the help of Abu Ghraib Agricultural College they could be arranged so that those taking the courses could obtain college credit for satisfactorily completed work. Banking is recognized not only as a complicated business in itself but there is the further fact that the personnel employed are nearly all in positions where trustworthiness is of unusual importance. Staff training should reflect these facts and be carried on as a high level and sustained effort. The ACA itself will, presumably, be a permanent institution so that there will be time to realize on the benefits to be gained from a comprehensive training program.

CAPITALIZING THE ACA

The Agricultural Credit Administration for Iraq proposed herein will have immense possibilities for growth. It can probably look forward to the day when it may have a quarter of a billion dinars of outstanding loans of various kinds. A thoroughly modernized farming in the country will be able to use that volume of credit constructively.

However, that growth should and probably must be achieved by enabling the ACA to obtain the money which it extends on loan by the sale of its debentures and notes. Indeed, if farm credit in Iraq must continue its dependence on government supplied loan capital the volume of credit extended will probably continue to be painfully inadequate. The Iraq government, furthermore, will have other uses for its funds and will have reason, therefore, to look with favor on the establishment of self-financing organization of the type proposed herein.

With self-financing the objective, the Government will still need to provide the ACA with an initial capital. This capital needs to be made available so that the ACA may have the funds to begin

operations and accumulate a portfolio of mortages and notes upon which to base its initial sale of debentures. Such capital also provides assets of particular importance to the security of the early bond issues.

Such Government provision of initial capital can, however, be made quite modest. Probably the entire ACA complex need not be capitalized at as much as ID 5,000,000. The U.S. Federal Land Banks started in 1915 with a government subscribed capital of $7,500,000. At present these banks not only have over $1,250,000,000 in loans outstanding but are wholly owned by their farmer borrowers, all the capital initially supplied by government having been paid for under the 5-per cent-of-loan stock subscription plan. If the assets and loan capital of the present Agricultural and Cooperative Banks were to be taken over by the ACA a major proportion of that capital as well as a portfolio of mortgages would become immediately available. Probably these mortgages would need to be carefully checked over before making a final selection of those to be put into trust as the security behind the first issue of debentures. Screening these mortgages for exactly such a purpose would, however, provide excellent and responsible early training for the institution's officers.

CONCLUSIONS

1. Iraq has already embarked on a great program of modernizing its agriculture and existing farm credit facilities are completely inadequate to support that program.

2. Modernized farming requires huge volumes of credit and when the goal of such modernization is achieved in Iraq, farm credit agencies may need to have as much as a quarter billion dinars of loans outstanding.

3. Existing governmental financing (capitalization) of farm credit agencies in Iraq has led to the establishment of only small, weak, and largely ineffective farm credit institutions.

4. A method of self-financing must clearly be provided so that the volume of loans may advance as the needs of farmers for credit expands.

5. Much would be gained by combining existing farm credit agencies into a single large institution capable of providing a full line of adapted credit to Iraq's farmers.

RECOMMENDATIONS

That there be established in Iraq an Agricultural Credit Administration on lines as suggested herein and that for that purpose the following steps be taken.

FILE COPY

a. Establish a review committee of major agricultural and financial experts to consider the proposed ACA and to make general recommendations for the improvement of farm credit facilities in the country.

b. On the basis of the recommendations of this committee, charge a group of experts with the task of drafting a suitable statute for submission to the Council of Ministers and Parliament.

Conrad H. Hammar

April 1, 1957

FILE COPY

Ag. Credit

Director Henry Wiens
Mr. McCormick
Files
Conrad H. Hammar

July 13, 1956

Credit Project.

Nadhim Pachachi, who is now acting also as Minister of Development, favors having the supervised credit project undertaken by the newly formed Cooperative Bank. The Bank Law, however, does not provide for supervised loans and would have to be revised for the purpose. Haidari is seeing Pachachi, Saturday, and will propose that supervised credit be set up under the Development Board itself and, if that is not possible, under the Cooperative Bank. I have advised Dameron to request a transfer when he reaches Washington. The future of the project appears to me to be too uncertain to make definite provision for bringing Dameron back. Haidari objects to the procedure, however, and wants to be sure a man will be on deck to handle the supervised credit part of the program if the D. B. approves the project or if the law is amended.

AIRGRAM

INTERNATIONAL COOPERATION ADMINISTRATION

AIRGRAM

SECURITY CLASSIFICATION
OFFICIAL USE ONLY

FROM - BAGHDAD

SUBJECT - Credit Seminar - Iraq

REFERENCE - ICATO Circular X-A-524
(Check one before each address)

PAGE 1 OF 2 PAGES

DATE SENT
Feb. 20, 1957

DATE REC'D.

Agri-Credit

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	X		WASHINGTON TOICA A- 559

There have been active discussions of such a credit seminar, as is proposed in reference airgram, in Iraq. In fact, while Dr. Lee was in Baghdad, an entire program for such seminar (called then a panel) was outlined and agreed upon, and a date for the meeting in late November or early December selected. A membership list of participants was drawn up.

Subsequent events made unfeasible the holding of the seminar on the dates proposed and Iraqi officials have since been so preoccupied with more important matters that it has been deemed here inadvisable to revive discussion of the seminar aggressively though some discussion of it goes on persistently. Recently interviews with both the Minister of Agriculture and Dr. Darwish Al-Haidari indicate that there is no lack of interest in such a seminar and both thought it might be feasible to hold it in June some two months after the Conference on Agricultural Programming and Administration which is scheduled tentatively for April 22 to 27 the inclusive. Most probable dates in June for the credit seminar would be the 24th to the 29th inclusive.

OTHER AGENCY

What is needed to make seminar of this kind effective is enough informed credit men to draft realistic recommendations. The Iraqis have almost no men trained and experienced in the designing and administration of farm credit programs. Generally, there should be a U.S. specialist on all drafting groups put to work during the course of the seminar to insure feasibility of the recommendations.

The Iraqis have had only brief experience with farm credit matters and have, therefore, been able so far to create somewhat shaky credit agencies only. The Agricultural Bank was the subject

AUTHORIZING OFFICER	DRAFTED BY	OFFICE	PHONE NO.	DATE
MRMcCormick	CHHammarah	Agriculture	263	2/11/57

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ICA 5-39 (7-55)

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of a long and somewhat acrimonious debate in Parliament about a year ago though no legislative action was finally taken. There have actually been proposals to liquidate the Bank despite its high potential usefulness. The recently formed Cooperative Bank was created with fine idealism but without sufficient balancing sense of the great difficulties in administration that are likely to confront such an agency in a country where cooperatives are in their infancy. Fortunately this latter bank was provided with a manager who has been unmoveably deliberate in his management of the institution. Helping these two credit institution, so important to farming, to survive is a major mission objective.

The Mission has two men (its Chief Agriculturist and Credit Specialist) who can serve on drafting parties. At least two more U.S. credit men are almost a necessity and more would be better. The Mission will in the course of considering arrangements for the seminar canvass surrounding Missions to see who might come and help effectively at the meeting if it can be convened.

BHB

Ben H. Brown, Jr.
Director

FILE COPY

Agric. Credit

July 16, 1956

Mr. Kerr:

Earlier advices from ICA have indicated that you would not arrive until the 19th. Dr. Parsons and I, therefore, scheduled a trip, that I feel urgently necessary, into northern Iraq over the 16th and 17th. We will be back the 18th, before noon, I hope.

Mr. Dameron will be here and can give you a competent run-down on the supervised farm credit situation. You will wish to read the newly prepared supervised farm credit project, and Mr. Dameron can tell you the status of the negotiations with respect to it. I shall be glad to go into the matter much more deeply with you upon my return to Baghdad, and the two of us can call on Director Wiens for his counsel as well.

There are certain questions in my mind with respect to the proposed farm credit workshop scheduled for this fall in Greece. There have already been two international conferences on farm credit in the Middle East, and I believe that it is a stringent requirement that a subsequent conference on this topic be organized in such a manner as to lead forward much more effectively than the two preceding conferences. My own feeling is that the workshop may be quite ineffective if it is organized against the background of farm credit in the U. S.

The real question at issue should be "How does and how can farm credit, including supervised farm credit, function in the Middle East?" There are some very notable difficulties that have become apparent to me over the last four years in making credit function effectively in Iraq. I am listing some of these basic difficulties: (1) Mortgage and foreclosure law and practices in Iraq are very different from in the U.S. (2) Most farmers in Iraq hold their land under conditional or permissive forms of tenure. One of the important of all forms of land titles is the so-called Lazma title. Landowners may not mortgage Lazma land without getting permission of government officials and a final endorsement of the Minister of Interior himself. That means that they cannot borrow on Lazma land. (3) The land market in Iraq is exceedingly sluggish so that it is very difficult for a credit agency to exercise the foreclosure alternative in case of delinquency. That means that delinquency builds up to unusual heights and that the agencies find themselves seriously embarrassed by additions to their real estate portfolio. (4) There is very poor control over the use to which the loans made are put. It has not been uncommon, therefore, to find landowners borrowing for the sake of making a trip to Lebanon or Europe to get out of the summer heat. (5) There seems to be somewhat of an established custom of excusing the delinquencies on loans of influential borrowers.

(6) There is no tradition in Iraq of having the Agricultural Bank sell bonds or debentures so as to be in a position to be self-financing.

There are other equally important differences between here and the U. S., and I feel that a reasonably thorough analysis of these differences must be made if the workshop in Greece is to talk realistically about credit problems and programs for this country.

We can talk this all over with Mac and Parsons after our return here on the 18th.

Signed C.H.N.
By W.W.

P.S.. You will find in some of the papers of the recent Land Problems Conference, held last year at Salahuddin, a reflection of the problems of credit in the Near East that I have been referring to above. We have labeled, in the set of papers produced at that conference, those that relate to credit and relevant topics. Mrs. Woolfall will give you the papers on your arrival.

AIRGRAM

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PAGE 1 PAGES OF 4

DATE SENT
Sept. 22, 1956

DATE REC'D.

FROM - BAGHDAD

SUBJECT - Agricultural Credit Panel

REFERENCE - TOICA A-140
(Check one before each address)

Ag/Credit

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		X	WASHINGTON TOICA A-170

The sequel to the discussions initiated when Dr. Lee was in Baghdad has been (in addition to the information contained in reference airgram) the preparation and presentation of the attached letter and memorandum to the Minister of Agriculture.

The memo was prepared, at Dr. Haidari's request, so as to give the Minister of Agriculture a statement of the purposes of the proposed panel for use, if and when, he presented to the Council of Ministers a request to approve the convening of the Panel. It was Haidari's judgement that the Minister of Agriculture (rather than the Minister of Development or the Minister of Economics) was the appropriate official to present the request to hold the panel to the Council of Ministers.

The Chief Agriculturist called on Minister Chalabi on Thursday September 20 to present the memo and gained the impression that the Minister intended to present the proposal to hold the panel on agricultural credit to the next meeting of the Council.

OTHER AGENCY

Ben H. Brown, Jr.
Director

BHB
mc

AUTHORIZING OFFICER	DRAFTED BY	OFFICE	PHONE NO.	DATE
MRMcCormick	CHHammarah	Agriculture	263	9/21/56

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ICA 5-39 (7-55)

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American Embassy
Baghdad, Iraq
September 19, 1956

Ministry of Agriculture,
Government of Iraq,
Baghdad, Iraq.

Gentlemen:

I am transmitting, herewith, a statement on the purpose of the proposed panel on Agricultural Credit discussed with you when you received Dr. Haidari, Dr. Virgil Lee and myself on Sunday morning September 9th.

The design of the Panel and its program and the outline of the statement of the purposes it should serve were really formulated during several meetings in the office of Dr. Haidari. The group attending those meeting included Dr. Hassan Thamer, of the Cooperative Bank, Director General Abdul Wahab Dabbagh of the Agricultural Bank, Dr. Lee, Dr. V. Webster Johnson, and Mr. Frank Robinson as well as Dr. Haidari and myself. I sincerely hope you will approve of the proposals the group is making and request formal approval of the Council of Ministers to hold the panel meeting in Baghdad.

Respectfully yours,

S/ Conrad H. Hammar
Chief Agriculture Division

MEMO To the Minister of Agriculture

PURPOSE OF THE PROPOSED PANEL ON AGRICULTURAL CREDIT IN IRAQ

The purpose of the panel on Agricultural Credit in Iraq will be to prepare, for presentation to the Council of Ministers, a modern terms of reference for the improvement of agricultural credit in Iraq.

The panel should be sponsored by the Ministry of Agriculture, the Ministry of Development and the Agricultural Bank and should convene for six working days. Three of these would be devoted to the presentation and discussion of formal papers on agricultural credit topics and the last three days, to the preparation of a report on Agricultural Credit in Iraq. The report would contain specific recommendations for the improvement of such credit.

If the panel meeting is approved the U.S. International Cooperation Administration can be requested to provide a number of agricultural credit specialists, some to come from the United States for the express purpose of participation at the meeting.

The Agricultural Bank, which is the major Agricultural Credit institution in Iraq, has been very useful to the country's farmers, but with a great expansion of land in farms and a much more complex system of agriculture in prospect consideration needs now to be given to the questions of how to make the Bank still more active in the country's development program and to consider what additional credit services it may need to provide farmers in the future. More production credit will probably be needed. Land improvements, particularly land leveling and drainage, will certainly soon be undertaken on a broad scale in irrigated areas and need special consideration from a credit viewpoint. Mechanization of farming, to improve its efficiency and to increase its output, needs greatly to be facilitated by credit provided especially for the purpose.

Several special credit problems would engage the attention of the panel. The need for a system of supervised credit for small and beginning farmers is one of these. Iraq now has a large settlement program under the Miri Sirf Land Development Administration and most of the settlers on the Miri Sirf projects need help on their credit problems. In addition there are nearly 100,000 small farmers in the country who need assistance of the same kind. There is the

e.H.H.

problem of how to improve the lending operations of the Agricultural Bank in respect to such matters as establishing better criteria for insuring that loans are used for productive purposes only, better procedures for the appraisal of loan security, and maintaining credit morality by firmer policies and procedures for collecting interest and principal payments due. The question of whether the Bank can and should be given powers to sell bonds based upon its mortgages so as to be more nearly self-financing can profitably be raised. There are further questions of how commercial banks, the Mortgage Bank, Industrial Bank and the newly established Cooperative Bank can be made more useful to farming or in the establishment of industries and businesses serving farming.

Plans for the duplication and distribution to panel members and others of the report and recommendations of the panel are also being considered.

Conrad H. Hammar
Sept. 20, 1956.

FILE COPY
Final Copy re Agric Credit

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maintaining credit morality by firmer policies and procedures for collecting interest and principal payments due. The question of whether the Bank can and should be given powers to sell bonds based upon its mortgages so as to be more nearly self-financing can profitably be raised. There are further questions of how commercial banks, the Mortgage Bank, Industrial Bank and the newly established Cooperative Bank can be made more useful to farming or in the establishment of industries and businesses serving farming.

Plans for the duplication and distribution to panel members and others of the report and recommendations of the panel are also being considered.

AIRGRAM

INTERNATIONAL COOPERATION ADMINISTRATION

AIRGRAM

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FROM - Baghdad

SUBJECT - Visit of Mr. Kerr

REFERENCE - ICATO A-507
(Check one before each address)

PAGE	PAGES
1 OF	10
DATE SENT	May 15, 1956
DATE REC'D.	

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	X		WASHINGTON TOICA A- 719

USOM/Iraq will welcome Mr. Kerr's visit. Currently the USOM/Iraq Supervised Farm Credit Project is in trouble and in process of reorganization the outcome of which is not entirely certain. It is suggested that Mr. Kerr consult rather closely with Director General Darwish Al-Haidari when he is in United States. Haidari will apparently call in Washington May 21, 1956, on his way to Texas A & M.

Copies of two documents relating to the proposed reorganization of the credit project are included herewith for Mr. Kerr's information. Both documents have been sent to the Ministry and Haidari.

It is hoped that the Ministry of Agriculture, with help from the Development Board, will take over the Supervised Farm Credit Project. The Minister of Agriculture, Haidari, and Director General Nadhim Sarsam are all favourable to such development, but the probabilities are that the change cannot be accomplished without approval of and on order from the Council of Ministers.

OTHER AGENCY

Henry Wiens
Director

Enclosures:

I. Amendment No.1
II. Memorandum

AUTHORIZING OFFICER	DRAFTED BY	OFFICE	PHONE NO.	DATE
	CHHammarlund	Agric. Division	263	5/10/56

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I. AMENDMENT No.1

AMENDMENT No.1

To The Internal Regulation of The Agricultural Bank

Article I

Under the powers conferred on its Board of Directors in Article 5 of its Internal Regulations, it is hereby provided that the Agricultural Bank may enter into arrangements with other agencies of the government of Iraq to provide to land cultivators loans under supervision. The arrangements for and the credit supplied cultivators under the terms of this Amendment to the Bank's Internal Regulation shall be called Supervised Farm Credit.

Article II

Other agencies of the Iraq government wishing to offer loans under supervision to cultivators may apply to the Agricultural Bank for funds needed for the making of such loans. Provided that applications to the Bank for such purpose shall contain the following information:-

1. Name and major address of the agency proposed to be established for the purpose.

2. The area or areas in which the agency proposes to make supervised farm loans.

3. The nature and extent of the supervision to be provided the borrowers.

4. The procedures the agency proposes to use in the making of supervised farm loans with respect to:-

   (1) Application for loans
   (2) Eligibility of borrowers
   (3) Amounts and terms of loans
   (4) Purposes of loans

(5) Loan security requirements
(6) Appraisal of security
(7) Interest rates and other loan charges
(8) Repayment and collection policies
(9) Policies with respect to defaults on loan repayments.

Article III

The establishment of a guaranty fund to protect the Bank against loss of principal or interest on supervised loans to cultivators shall be required of all agencies offering such loans with Bank's funds. Such guaranty fund shall be established in the following manner:-

1. The Bank and the governmental agency proposing to offer supervised loans to cultivators shall agree on the sum, in Iraqi dinars, that shall be made available by the Bank to the agency for the purpose of making supervised loans.

2. The Bank shall notify the agency of the sum in Iraqi dinars that it will require deposited in the guaranty fund and the schedule on which such deposits shall be made. Provided that the sum to be deposited in the guaranty fund shall not be more than 10 per cent nor less than 1 per cent of the loan fund to be made available to the agency by the Bank.

3. Provided also, that the Bank shall require that the guaranty fund, established pursuant to the provisions of this Article, shall be placed under the control of the Minister of Finance.

Article IV

In cases of default by borrowers on payments of interest or principal which threaten the Bank with a loss on the funds it has provided for supervised farm loans, the Bank may request, from the Minister of Finance, suitable payments from the guaranty fund established as provided in Article III of this Amendment. Provided also that disputes, between the Bank and the Agency making supervised farm loans, over the amount of the losses sustained because of defaults of interest and principal payments, shall be settled by order of the Minister of Finance whose orders shall be final.

Article V

When the Bank approves the request of a governmental agency to offer supervised loans to cultivators it will transmit to such agency a written statement of such approval together with a notification of the amount of loan funds it is making available and of other conditions relative to the arrangement that is being entered into by the Bank and the Agency. Provided also that for cause the Bank may withdraw from the Agency the permission to grant supervised loans but only after giving not less than 30 days notice of its intention to withdraw such permission.

Provided further, that the Bank shall lay down specific rules on the security that shall be required on all supervised loans and shall require that loans to cultivators holding their land under Lazma tenure shall have the written approval of appropriate officials of the Ministry of Interior.

Article VI

To any governmental agency granted permission to offer supervised farm credit using Bank funds, the Bank shall offer its assistance for the maintenance of all accounting on loans made. Provided also, that the Bank shall provide a secure repository for all legal documents pertaining to such loans and provided further, that certified officers of the lending agency shall, at all times, be permitted access to the Bank's accounts relating to such loans and also permitted, under suitable security measures, to inspect legal documents relating to such loans that are in the Bank's repository for safe-keeping.

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II. Memorandum

MEMORANDUM

Supervised Farm Credit Project

The Minister of Finance, His Excellency Khalil Kanna, apparently wishes some changes made in the organization and conduct of the supervised farm credit

project now being carried on by USOM with the Agricultural Bank. This report has been prepared in order to propose certain ways of making the changes requested by the Minister with whose wishes it is certainly our desire to comply. There is need, also, to make the changes as constructive as possible for the future of this exceedingly important project. Attention is called to the fact that the recent Land Problems Center at Salahuddin enthusiastically endorsed supervised credit for the Middle East as a whole. It is hoped, therefore, that such rearrangement of the project as the Minister wishes can be carried out in a manner greatly to strengthen the project which has been kept very weak under the Agricultural Bank.

For the first entire year of the project, it was possible to make only 11 supervised credit loans. Then at the urgent request of Mr. Dameron and myself, the Bank agreed to have a great many of the applications to the Bank for credit passed to the Supervised credit manager. Very quickly, thereafter, an additional 20 loans were made and a great many more could have been made had there been time to process the applications. Mr. Dameron tells me that there would now be no difficulty in raising the loan portfolio to two hundred loans for Hilla Liwa alone and that is as much as (or more than) a single field supervisor can handle.

The project was weakened, also, because of the regulation of the Bank that the interest rate on these supervised loans was to be only three per cent with no fees whatever charged for the making of the loan. As a result, the prospective returns from these loans has been very low, indeed, and that had the effect of making the costs for the program appear very high.

Some dissatisfaction has been expressed on the part of the Bank with the progress of the supervised credit borrowers, particularly the 11 who will soon have had their loans for nearly a year. In fact a year is much too short a time for any great progress to have been made but in order to get at the truth in the matter Mr. A. J. Macris, supervisor of the South Central Extension region was asked for a report on the matter. Mr. A. J. Macris, as a disinterested third party, is an FAO expert of long standing. A copy of the report that he prepared is attached hereto. Mr. Dameron, on careful inspection of the crops and livestock of the borrowers also indicated that these are both noticeably better than average for Hilla Liwa. He expects the payments of interest and principal for these loans, therefore, to be good this year and reports that when the farmers discovered that the supervision of the loans by the Agricultural Bank had been turned over to the Branch Manager, they were considerably distressed at the news.

The development of the supervised credit project in Iraq has been too slow to warrant the U.S. Operations Mission keeping as expensive a man as Mr. Dameron much longer on this job alone unless there is genuine prospect of expanding the size of the project. Mr. Dameron's time can be best used

supervising from 4 to 6 Iraqi field men each responsible for some 75 to 100 loans to individual farmers. Iraq, according to the recent agricultural census, has almost 100,000 small farms--with holdings of 100 donums and less. In addition there will soon be many more of these on various settlement projects. In time, 75,000 to 100,000 loans under supervision is, therefore, not only a possibility but a probability. A volume of 500 to 600 loans in the next two years will still be, therefore, only a beginning. Possibilities of expanding beyond that point are, however, limited at present because there are so few Iraqi young men with education or training to be made field supervisors. Nevertheless, one point is reasonably clear. That is, unless the project can be expanded and Mr. Dameron given responsibilities somewhat more in line with his capacities, he will have to be shifted. It might be possible merely to shift him to the credit aspects of the Miri Sirf program and if that is not possible, to some other country. For my own part, I would regret such a move because it seems to me that the small farmers of Iraq, who have already established themselves without help from the Miri Sirf program, should also have access to credit under supervision. That is, supervised credit should be available to small independent farmers as well as to those working with the Miri Sirf development program.

Working out a new arrangement for the providing of supervised credit may prove reasonably complex. His Excellency, Minister Khalil Kanna, apparently favours having the Ministry of Agriculture take over considerable responsibility for the project. Such a move would, in many respects, prove eminently suitable since so much of the work of the credit supervisor is similar to the extension work carried on already by the Ministry of Agriculture. Probably, however, the Ministry of Agriculture should not get into direct lending which would call for the establishment of specialized accounting services, etc., which the Ministry appears ill-prepared to undertake. Furthermore, the Ministry of Agriculture does not have money for the making of such loans and has made no provision in its budget for the supervision of them.

I would like to suggest, therefore, that an arrangement be worked out under which four major Ministries of the Government join together in assuming the responsibility for various aspects of supervised farm credit. My proposals are as follows:-

1. The Agricultural Bank should, I believe, continue to provide the money for the loans and make these under its regular procedures for the making of loans to its other farmer borrowers. The Minister apparently wishes also to have the Bank excused from the need to supervise the loans and also from the undertaking of any extraordinary risks with respect to payments of either principal or interest. On the other hand, the Bank could under its normal business operations, continue to provide loan funds and particularly to administer the loans using, for the purpose,

established procedures for applications, appraisals of security and borrower, loan collections and accounting. These things the Bank is better prepared to do than any other agency in the Iraq Government.

2. The Ministry of Agriculture is, on the other hand, extraordinarily well prepared to undertake the provision for supervising loans which, as noted above, is after all, very similar to extension work. The Ministry of Agriculture will surely, however, wish to minimize its responsibility for collections of the loans and will need to have additional funds both so it may pay the costs of supervision and so that it may provide to the Bank a guarantee against losses. It would help the Ministry of Agriculture, therefore, if both the Ministry of Interior and the Ministry of Development could also be induced to undertake some responsibilities for the project.

3. The Ministry of Interior, through the Mudir Nahiyas, Qaimaqams and Mutassarrifs, could help with both loans and collections without at all taking on burdensome duties. That help could be provided by requiring that all supervised credit loans to ordinary farmers have the approval of the appropriate Mudir Nahiya, Qaimaqam and Mutassarrif. The credit supervisor would bring the loan applicant to the Mudir Nahiya who would often have knowledge of the character of both the applicant and his family. Approval of the Mudir would mean, unquestionably, that farmer borrowers would take their responsibilities for payment of interest and principal far more seriously than if they felt themselves responsible to the Bank only. No mortgage can be placed on lands held under Lazma title except with the approval of these offices in any event so that the approval of these officers could be made to serve in place of mortgage in cases of Lazma tenure which is the tenure under which most independent borrowers hold their land. Perhaps approval of these governmental officers need not be required in the case of the few applicants with Mulk tenure.

4. The problem of financing may make it necessary to request help from the Ministry of Development. Apparently only the Development Board at this late date could provide the needed funds (a) to establish a guarantee fund to insure the Bank against losses on the loans and (b) to provide funds needed for administrative costs.

At present there are two young Iraqi employees on the supervised farm credit project working with Mr. Dameron (only one of whom, however, should be taken over under the new arrangement.) As

soon as possible one further man capable of becoming a field supervisor should be hired so that he can be trained under Mr. Dameron's direction. Furthermore, since it is necessary to expand the project considerably if there is to be justification for keeping Mr. Dameron at work in Iraq, provision needs to be made for the hiring of from two to four more counterparts capable of becoming in time field supervisors. The training of these men is a necessary preliminary to enlarging the program and expanding it to other areas.

5. There is no experience in Iraq to enable an accurate estimate on how large a guarantee fund will be needed for the supervised credit project. In the U.S., where 25 years of experience in these matters has accumulated, however, losses on supervised farm credit loans have been held to a fraction of one per cent per year. Most supervised credit loans in the U.S., furthermore, are made to relatively young men with almost no property to offer as security for their loans. However, farm credit supervisors, in the U.S. are usually men with considerable experience either in credit or in agricultural extension and, hence, the quality of supervision that it has been possible to provide in the U.S. has been good. In Iraq the program must start with beginners and the loss percentage will, almost certainly be higher than in the U.S. Perhaps, therefore, the guarantee fund should be set up on the expectation that for a very few years, as much as ten per cent of the loan capital may be lost. That is, probably a great deal higher than actual losses will be and certainly far higher than such losses should be after the program gets more thoroughly established. Supervised farm credit loans are small. Borrowers are selected very carefully. The money loaned can be spent only with the permission of the supervisor and the borrowers are constantly watched and assisted in their operations. It is for these reasons that the losses on these loans have been so small in the U.S. and, for these same reasons, losses should quickly become very small in Iraq.

March 30, 1956

Conrad H. Hammar
Chief, Agriculture Division

Attached Copy of the letter

COPY

COPY

A. J. Macris
FAO Extension Specialist
Extension Supervisor of
the South-Central Region
Baghdad 16th March, 1956

Dr. C. H. Hammar
Head Agriculture Division
ICA Mission
Baghdad, Iraq

Dear Dr. Hammar,

I had the opportunity to visit on the 15th March the settlement near Mahawil which is serviced by the Supervised Farm Credit project in which your Mission participate. I am summerizing below my observations for your own information and for your cooperation in the Bank:

1. The Soil - Judging from the condition of the crops the land appears to be good. There are saline spots but to an extent which is common with Iraq Soils. There are no signs of very high water table and the texture and nature of the soil should render drainage easy if and when this is required.

2. Crops - Each farmer has planted at least 10 donums of wheat and over 15 donums of barley. The crops are not inferior or may be classed better than crops in the neighbourhood. They are not below the average condition of these crops in Iraq.

   All farmers have prepared two donums or more for planting cotton. The preparation of the landis good. Two farmers have started growing,alfalfa and one had a demonstration of berseem.

   All farmers have prepared land for vegetables and melons. I found 3-4 farmers planting watermelons on the ridge formed by an old canal and settlement. It took hard work to bring the water to this high land by means of digging deep ditches.

3. Livestock - It is a very encouraging sign to see a larger number of animals in the settlement. The poorest farmers have one cow and a

few head of sheep, but I understood the strongest may have 3-4 head of cattle and over 10 head of sheep. I don't think anything can take the place of livestock as a factor of security and stability in these farm units. When forage crops become well established the farmers will be further encouraged to increase and improve their livestock production.

4. Assessment - I understand the indebtedness of each farmer is approximately ID 180 and the installment due this year will be ID 40. There is no doubt that even the less fortunate farmer will raise enough grain for food and livestock feed and a surplus sufficiently large for payment of the loan. Additional income will be raised from vegetables, melons, cotton and livestock production. I understand that one of the settlers handed to the local agent of the supervised credit program ID 20 to credit his account before his installment was due.

5. Attitude towards work - In some settlement projects in Iraq the settlers tend to hire fellahin to farm the land as share croppers. No such tendency has been reported in this settlement. Apparently the settlers were farmers and the plot allocated to each farmer was not very large (50 donums). If and when the land is used more intensively it will require more labor but then the families of the settlers will have grown in size.

6. Permanence - Many settlers have planted dates and some are considering to plant orchards. This is an indication that the farmers both see the future with optimism and plan to make the place a permanent residence for themselves and their children. In the future the program should encourage and assist them to build better houses and farm buildings. It is important for Iraq to develop stable and progressive rural community.

Community Spirit - The common ownership and operation of the pump and irrigation system and the cooperation in the dealings with the Bank should be expected to foster strong bonds among the settlers and attitudes favouring their continuous cooperation for better farming and community living.

Future - The project has been a successful demonstration of sound policies for Iraq. It should be continued for studying additional aspects of farm and farm home improvements, through supervised loans. If the expansion of the program and other factors would require reduction in the amount of supervision provided by the Bank staff, it should be possible to arrange for the extension service to cooperate by advising both the farmers and the Bank officials.

Sincerely yours,

A. J. Macris
FAO Extensiion Specialist

AIRGRAM

FOREIGN OPERATIONS ADMINISTRATION

AIRGRAM

SECURITY CLASSIFICATION
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PAGE 1 OF 3 PAGES

DATE SENT Dec. 10, 1955

DATE REC'D.

FROM - Baghdad

SUBJECT - Interview with D.G. Dabbagh of the Agricultural Bank (12/6/55)

REFERENCE - ICATO Cir X-A223
(Check one before each address)

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ACTION	INFO	ADDRESS AND SERIAL NUMBER
X		WASHINGTON TOICA A - 315

Agric. Credit

FILE COPY

The "notes to the files" below are transmitted to ICA/W in order to give advanced information on a probable request for a short-term (6 months) consultant for the Agricultural Bank of Iraq. These notes concern ~~x~~ three major points as follows:- e.H.H.

I. The supervised credit project in Hillah Liwa is now proceeding much more satisfactorily and the prospects presently are that a case load of 50 loans will be on the books by the end of January. Such a case load is about all an inexperienced Iraqi credit man can expect, initially, to supervise.

It was proposed to Mr. Dabbagh, therefore, that Mr. Najar (Iraqi counterpart to Dameron) be readied to take over as acting supervisor in Hillah Liwa leaving Mr. Dameron free to begin another project elsewhere.

Since Mr. Najar is still young and inexperienced, it was agreed:

(1) that Mr. Dameron would, even after moving on, continue part-time supervision of the Hillah project, particularly to inspect papers relating to new loans prior to final approval of these,

(2) that Mr. Khamees of the Loan Division of the Bank would take occasional trips to Hillah to look over Mr. Najar's program, and

(3) that Mr. Marion Olson, extension advisor, would be asked

OTHER AGENCY

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	CHarmar/na e.H.H.	Agric. Division		12/7/55

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to request Mr. Macris, supervisor of the agricultural extension service in the Hillah Liwa, to keep in touch with Mr. Najar and help him with the preparation of final farm plans in connection with loan applications.

Dr. Hammar and Mr. Dameron will prepare for the consideration of D.G. Dabbagh and the Board of the Agricultural Bank a report on steps to establish a supervised credit project in a new area in Iraq. The report will consider:-

(1) Progress achieved in Hillah Liwa

(2) Capacity of counterpart Najar to assume supervisory responsibility for the project in Hillah Liwa.

(3) Arrangements to be made to continue supervision of the work of Mr. Najar.

(4) Selection of area for establishment of a new supervised credit project, considering:

(a) Baquba and Diyala area.
(b) Shaqlawa area
(c) Plains area east of Mosul
(d) Area near Amadia

(5) Proposals relating to date to begin project in new area.

(6) Recommendations to the D.G. and Board.

II. Attention was called to the fact brought out clearly in various papers and talks at the recent Land Problems Center and elsewhere that Iraq needs to review its plans and preparations to use effectively the lands to which large volumes of irrigation water will soon be supplied. There is prospect that the need for credit for settlers on such lands will be very great indeed and great probability, therefore, that the business of the Agricultural Bank (already large) may grow as much as five times in a matter of 10 - 15 years. The Bank is not equipped at present to handle so large a volume of business and needs a thorough modernization as a preparation to do so.

Dr. Hammar suggested that USOM/Iraq might find it possible to provide to the Bank a high level consultant, for a period of six months, for the purpose of reviewing the Bank's operations in detail and to prepare a report on what should be done by the Bank's officials in getting

ready to handle a greatly enlarged volume of business. Mr. Dabbagh stated that he thought services of such a consultant would be very welcome and that he would initiate steps to have a formal note sent to USOM/Iraq to request that the services of such a consultant be provided the Bank.

III. Dr. Wiens brought up the matter of how the Bank's program for providing credit (supervised) to Miri Sirf project settlers could be strengthened. Mr. Frank Robinson has worked effectively with these settlers and has made a considerable volume of loans to them. The question was raised whether a special set of regulations were needed for such loans or whether they could be made under general regulations for providing supervised credit. Dabbagh thought Bank's regulations were sufficient for the making of such loans but Dameron demurred and thought special regulations were needed for both general supervised credit and settler loans. If the consultant (proposed in II above) to the Bank were to come to Iraq, he would need to give attention to this problem.

Henry Wiens
Director

AIRGRAM

INTERNATIONAL COOPERATION ADMINISTRATION
~~FOREIGN OPERATIONS ADMINISTRATION~~

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PAGE 1 OF 2 PAGES

DATE SENT ~~7/9/55~~ 7/13/55

DATE REC'D.

FROM - Baghdad

SUBJECT - Developments in Supervised Farm Credit

REFERENCE - (Check one before each address)

FILE COPY

Agric Credit

DISTRIBUTION	ACTION	INFO	ADDRESS AND SERIAL NUMBER
		x	WASHINGTON TOICA A-29

The critical period in which payments of interest and principal installments on the first supervised farm credit loans in Iraq is rapidly approaching and causing much concern to officials of the Agricultural Bank of Iraq and Mr. Sam Dameron, USOM/Iraq credit specialist. Credit morality in Iraq is low and there are ~~insistent~~ persistent rumors that a very large percentage of the regular loans of the Agricultural Bank are commonly in a delinquent status. Cracking down on the little fellow who borrows under Supervised Credit programs will look as a maladministration of justice if the borrowers of much larger sums go persistently unmolested. Yet, to fail to collect when collections are due is regarded here as about the surest way to bring about the ultimate liquidation of the supervised farm credit project.

Collections are further confounded by the generally low--indeed, extremely low--levels of living and consumption of borrowers generally and by the fact that loan funds commonly fail to reflect themselves immediately, that is, in a single season, in increased earnings. What is apparently needed in this sort of situation is the coupling of the loan (and collection) with the development of special farm projects that promise most for the required (immediate) increase in borrower income. Planning such projects with prospective borrowers greatly increases the responsibility of the Farm Credit Supervisor and consequently reduces the case load he can carry but appears to be a prime necessity for the early stages of the supervised credit project in Iraq and mayhap in other underdeveloped countries.

OTHER AGENCY

One such special "project to assist collections" is already under way in Iraq under the direction of Mr. Sam Dameron, Farm Credit Supervisor. In this instance, 11 borrowers living in close association with one another were banded together under Mr. Dameron's direction to produce on land, especially set aside for the purpose, melons for

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market. Governmental officials in this instance assisted Mr. Dameron (at his request) in arranging for the land and the critical water supplies. The group of borrowers purchased a 20 H.P. pump, put in the needed irrigation ditches and arranged for the needed supplies of fertilizer. The fertilizer used was sheep manure (a shovelful for every hill) and sulphate of amonia. This latter was purchased by Mr. Dameron from loan funds with costs allocated among the farmers. Each cultivator tends his own plot but the plan is for marketing to be carried out as a group activity if, as seems probable, that promises some considerable economies. The participants have agreed that proceeds will be used on a first priority basis for payment of interest and such principal installments as are due. These arrangements have proven most acceptable to the participants whose morale has persistently been high.

Officials of the Iraq Agricultural Bank and Mr. Dameron are discussing ways and means of making such special projects to assist collections a feature of lending operations wherever possible. It may well be that the success of the supervised credit project will depend on similar assistance to every borrower. Fortunately, a by-product of such assistance promises to be to make the borrowers better farmers and better cooperators as well.

Henry Wiens
Director

HW.

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FROM - Baghdad

SUBJECT - Improved Supervised Farm Credit Procedures

PAGE		PAGES
1	OF	7
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Agric - Credit

The Iraq Government, including its Agricultural Bank, Minister of Finance and Council of Ministers, gave conspicuous evidence of its faith in the Supervised Farm Credit program recently by approving new methods of granting loans and providing governmental guarantee to protect the bank in its operation of the program. Improved procedures permitted will not only extend the program to a greater group of borrowers but will cut red tape, shorten lending preliminaries, and greatly reduce costs to borrowers.

Critical background elements of the action taken are as follows: Most small owners hold their real estate under the so-called "Miri Lazma" form of tenure. Such tenure has commonly been achieved by a process of squatting on and improving the land prior to presenting claim for title. These claims are now registered officially but do not confer free hold title, the government not having as yet quite given up the idea that it might want some of the land (particularly in the case of large land holders) back. The rule of law has, therefore, been that holders under Miri Lazma can borrow under mortgage only by submitting their application through governmental channels.

OTHER AGENCY

That is, applications must go first to the Mudir Nahiya (Township) then to the Qaimmaqam (County) then to the Mutasarrif (Provincal) offices and finally to the Minister of Interior for approval before action on the loan request by the Bank. Such requirements practically preclude mortgage loans to holders under Miri Lazma. The Agricultural Bank, therefore, took two separate but related steps. First it asked the government to guarantee all loans (including loans to holders under Miri Lazma) under the Supervised Credit program. The Bank is a commercial institution and could not under its charter take "undue" risks such as those involved in lending without adequate (real estate

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mortgage) security. Second, the Bank drew up and requested approval of the Minister of Finance for making these loans under a "Loan Agreement" as a substitute for a real estate or chattel mortgage. A copy of the Loan Agreement form is attached hereto.

This Loan Agreement, while subjecting the borrower to the general law relating to liability of debtors, is generous (almost in extreme) in its provisions. That is, it subjects to seizure, in case of default, only those "properties purchased in accordance with this Agreement." Beyond that, actions to collect must be made under the general law. This leniency means that loans will have to be limited to borrowers of genuine integrity and places a heavy burden on the farm credit supervisor to weed out poor risks. Nevertheless, these new guarantees and procedures were necessary if any appreciable volume of such loans were to be granted and indicates a genuine and understanding sympathy for the program by the officialdom of the Bank, Ministry, and Council.

The attached correspondence epitomize what has occurred officially and may be of interest to FCA and FHA, comments from whom would be welcome.

Henry J. Wiens
Director

Enclosures:

1. Granting Loan Under Supervision No.3351
2. Granting Loan Under Supervision No. 269
3. Letter No.5348
4. Loan Agreement
5. Certification of Notary Public

ENC. #1

THE IRAQI AGRICULTURAL BANK

Granting Loans Under Supervision Branch

No.3351
Feb. 24, 1955

URGENT

TO : The Ministry of Finance

Subject: Granting Loans Under Supervision

In execution of the agreement for granting loans under supervision concluded between the Iraqi Government and the Technical Cooperation Administration at the American Embassy in Baghdad. Hillah has been finally chosen as an experimental area, and in accordance with the demand of the Technical expert delegated for this scheme, Mr. Sam Dameron, this Bank's Administrative Board has allotted a sum of (8000) Dinars for this purpose.

And in view of the Expert having completed all the necessary studies and investigations in that area, the acceptance of requests from small farmers who are willing to benefit from the services of this scheme has been announced. A great number of these farmers have applied as a result of which the Expert has submitted to us his memorandum, copy of which is attached, in which he asks that the loans to these farmers be under a governmental guarantee.

As the aim of this agreement was the increase of the output and the raising of the standard of living of these farmers, both economically and socially, and that the advances (the highest amount of which shall not exceed 250 Dinars) shall not be paid to them without the approval of the Technical Expert and his assistants and under their supervision. Therefore, your approval is requested to placing these kinds of loans under your guarantee so that we may remove from the shoulders of these small farmers the burden of routine formalities which are necessary to adopt in other cases; thereby sparing them the expenses which they are unable to bear.

Director General and
President of the Administrative Board

cc. The Delegated Technical Expert, for information

ENC. #2

No.269
March 8, 1955

Ministry of Finance

To: Presidency of the Council of Ministers

Subject: Granting Loans Under Supervision

In execution of the agreement for granting loans under supervision concluded between the Iraqi Government and the Technical Cooperation Administration at the American Embassy in Baghdad (Copy of which is attached), and in accordance with the provision of para (10) of Article (2) of the Agricultural Bank Law (in its first instance), Hillah Liwa has been finally selected as an experimental area for the above scheme, and the Administrative Board of the Agricultural Bank was allotted a sum of (8000) Dinars as a first payment in view of the demand of the Technical Expert who is being delegated for this purpose.

And as the Expert has completed all the necessary studies and investigations in that area, we have declared our readiness to accept requests from small farmers who are willing to benefit from the services of this scheme. A great number of these farmers have applied and a memorandum has been submitted to the President of the Agricultural Bank Administrative Board in which it has been demanded that those borrowers should be bound with a governmental guarantee. As the aim of this agreement was the increase of the output and the raising of the standard of living of those farmers, both financially and socially, and that the advances (the highest amount of which should not exceed ID.250) shall not be paid to them without the approval of the Technical Expert and his Assistants and under their supervision. We, therefore, request you to submit the matter to the Council of Ministers with a view to obtaining his approval for the subjection of the loans under discussion to a governmental guarantee so as to spare these small farmers the routine formalities which are necessary in other areas; thereby serving them from incurring expenses which they are unable to bear.

Minister of Finance

cc. The Iraqi Agricultural Bank - reference his letter No. 3351 of February 24, 1955.

The Mumaziah of Technical Studies

ENC. #3

THE IRAQI AGRICULTURAL BANK

General Center - Baghdad

Administration Branch

No. 5348
March 28, 1955

TO : Mr. Sam Dameron
Expert in Loan Under Supervision

We wish to inform you that the Council of Ministers, in its thirty fifth session held on 3/20/55, has agreed to bind the loans granted in accordance with the "Loans Under Supervision Scheme" with a government guarantee.

Abdul Wahab Al-Dabbaugh
Director-General and Head
of the Administrative Branch

- -

ENC. #4

THE IRAQI AGRICULTURAL BANK

Serial Number_____

General Center
Baghdad.

LOAN AGREEMENT

Number of Loan_____

Loan Agreement continued

Paragraph	Amount Approximately ID.	Fils	Approximate date on which the Loan is paid
Cash			
Other Objects (their approximate Number)			

1. I agree to deposit the amount of the loan granted to me, after deducting the legal interest, with the Agricultural Bank as a deposit to be paid to me in accordance with the plan shown above.

2. I undertake to abide by the instructions and advices given to me by the Supervisor of Agricultural Loans in connection with the methods of managing my house and farm and to preserve all the movable properties purchased for me in execution of this agreement and should not dispose of them in any way that would remove them from my ownership or would cause anyone to have any right in them. The Supervisor of the Agricultural Loans has the right to inspect my house and farm whenever necessity demands in order to ascertain the extent to which I am carrying out the instructions and advices.

Loan Agreement continued

3. In case of my contravention of one of the articles of this agreement the loan granted to me shall be liable for immediate settlement in full, and the Bank shall have the right to retrieve all movable properties purchased for me in accordance with this agreement and to sell them and enter their prices against the amount of the loan.

Borrower

Representative
of the Agricultural Bank

Sayed _____ in addition to his duties

Witness Witness

- -

ENC. #5

Certification of the Notary Public

This day _____ of the month of _____ year one thousand nine hundred and _____ the Representative of the Agricultural Bank Sayed _____ and _____ known as borrower, and whose identities are known to him as _____ _____ have presented themselves to me and I have read to them the contents of this agreement, and after they have accepted it and acknowledged all its articles and signed it in my presence, I registered its contents in the office register on _____ 195

Notary Public
Official Seal and signature

Mar. 1955

Agric Credit

TO : Director General, Agricultural Bank of Iraq

FROM : Mr. Sam Dameron and Mahdi Najjar

FILE COPY

SUBJECT : Memorandum of Understanding for Establishment and Operation of Supervised Credit Office at Hilla.

We are glad to report to you that we have been successful in establishing the subject office at Hilla. After visiting and talking with Government officials and prospective borrowers in the Liwa, it is considered necessary that you officially approve the recommendations as follows:-

1. Administrative activities to be handled in the Agricultural Bank:-

   a. Establish a special loan account of Eight Thousand Iraqi Dinars (ID 8,000) from which all loans made under the program will be paid.

   b. Establish the interest rate to be charged for all loans made under the program at three per cent (3%) per annum, payable in advance when the borrowers receive their loan funds.

   c. All loans made in the program will be approved by the Agricultural Bank in Baghdad.

   d. The bank will pay from a special account established in the bank all purchases made for the operation of the supervised credit office such as rental of office space, electricity, janitor service, travel expenses for officials working in the program, etc.

2. Authority of the farm credit supervisor. See attached.

3. Authority of the supervisor of the branch office of the Agricultural Bank in Hilla.

   a. With the approval of the farm credit supervisor and advice of the U.S. technician to disburse all loan funds in accordance with the loan agreement entered into by each borrower with the bank when the loan was approved.

   b. Cooperate with and lend assistance to the farm credit supervisor in the development and administration of the program as possible.

4. Conditions under which loans will be made:-

a. The forms to be used in developing each loan docket will be the application, farm and home plan, loan agreement, and security instruments as required and now being used by the bank in its regular loan program.

b. Loans will be made only to farmers who occupy and cultivate a farm or tract of land of sufficient size and quality to enable the operator to be successful as determined by a farm and home plan prepared by the farmer with the assistance of the farm credit. supervisor.

c. No loans will be made to a farmer who owns or operates a farm or tract of land exceeding three hundred (300) donums.

d. No loans will be made to a farmer who operates only an orchard containing more than ten (10) donums devoted entirely to fruit production.

e. Loans will be made to eligible farmers for the purpose of assisting them to purchase food, feed, farm and home equipment, seed, fertilizers, insecticides, hired labor, farm building materials, livestock, and refinancing of indebtedness covered by a mortgage on growing crops or livestock used by the farmers in operating their farms.

f. Loans may be made to a farmer or a group of farmers to purchase machinery and equipment necessary for land irrigation and furnish water for human and animal consumption.

g. Loans made under the program will be secured as follows:-

(1) Appropriate realestate mortgage from borrowers owning lands classified as Mamluka and Miri Tapu.

(2) Appropriate real estate mortgage from borrowers owning lands classified as Miri Lazma with the approval of the Ministry of Interior.

(3) For operators of Miri Sirf land with the guarantee of the Government.

(4) For tenant farmers by a joint grantee of at least three (3) reliable persons including the borrower.

h. The amount of the loans to be made under this program will be determined by the amount required and justified as reflected in the farm and home plan, but in no case shall the amount be less than Fifteen Iraqi Dinars (ID.15) or more than Two Hundred Fifty Iraqi Dinars (ID.250).

i. Loan limits on the established value of the property offered as security for loans as determined by the appraisal shall conform to the existing regulation of the bank except that loans may be made for ninety per cent (90%) of the appraised value of immovable property.

j. All expenses incident to the recording of official documents in connection with each loan shall be paid by the borrower.

k. Loans will be scheduled to be repaid in equal annual installments with interest paid in advance for a period not to exceed five (5) years from the date such loan was approved.

Please let us have your decision regarding each recommendation listed above so that we may proceed to Hilla and begin the work.

Job Description

FARM CREDIT SUPERVISOR

Responsibilities and Functions:-

He will be under the general supervision of the Agricultural Bank for the experimental supervised credit program and will be under the technical supervision of the U.S. Technician assigned to direct the establishment of such program and will be required to do, but not limited to, the following:-

A. LOAN MAKING:

1. Establish his permanent residence within the area where he is to work.

2. With the assistance of officials of the Bank explain to farmers living within the designated area either individually or in groups the purpose and intent of the supervised credit program.

3. Receive applications from farmers, within the designated area, who wish to apply for a loan from the Agricultural Bank.

4. After receiving such applications, he will present them to the Bank with a complete report as to his opinion regarding the eligibility of each applicant for a loan.

5. For each applicant approved by the Bank as to eligibility for further consideration for a loan, he will visit the applicant on his farm and develop a farm plan under which the farmer will agree to operate, also will inspect and appraise the property offered as security for the loan applied for.

6. From the farm plan developed he will determine, with the farmer, the amount of loan needed to purchase the seed, farm implements, fertilizer, insecticides, work animals and other supplies that will be required by the farmer to operate his farm.

7. From the information contained in the farm plan as to the amount of loan required for the farmer the supervisor will prepare and have signed by the farmer a LOAN AGREEMENT, and SECURITY DOCUMENTS (in the case of a tenant farmer, a satisfactory written lease agreement is also required).

8. He will present to the Agricultural Bank for each approved applicant the farm plan and all the instruments listed in item 6 above for final approval.

9. After the loan has been approved it will be the responsibility of the supervisor to see that such loan is made available and used by the borrower in accordance with the farm plan and loan agreement.

B. SUPERVISION:-

1. The supervisor will visit each borrower as often as possible and practicable to teach him the proper method of dividing his farm into fields for planting to certain crops, preparation of the soil for planting, time and method of planting various types of crops, time and method of cultivating crops, time and method of irrigation advise farmers what should be done to control diseases or insects that may be causing crop damage.

2. Advise farmers as to the time and best method of harvesting crops.

3. Assist farmers in selling their crops in order to get best prices available.

4. During farm visits check items pledged as security for the loan such as farm implements and livestock to see if it is receiving proper care and maintenance.

5. Make collections on loans as crops are being sold and in accordance with note signed by the borrower when he received the loan.

6. Work closely with other agricultural organizations in the area to obtain for the borrowers, under his supervision, helpful instructions and information.

7. He must make reports to the Bank as requested and advise the public concerning the operations and activities of the supervised credit program, and perform other related duties as required.

TELEGRAM

INCOMING

Foreign Service of the United States of America

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Control: 4757

Recd: 23 dec 58

ICATO CIRCULAR ~~NAXXX~~ N5, Dec 22nd

Subject: ICATO CIRCULAR NA3, October 14, 1958

Urgent need improve agricultural credit if substantial progress be made NESA agriculture. Experience three credit workshops other regions highly satisfactory. Iran will host NESA workshop February 28-March 14. ICA/W urges participation. Missions requested furnish USOM/Iran and ICA/W soonest information on participating delegates.

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FROM - WASHINGTON

SUBJECT - Near East, South Asia Agricultural Credit Workshop

REFERENCE - (Check one before each address)

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DATE SENT: Oct 14, 1958

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Recognizing the need for a regional agricultural credit workshop for NFSA countries, the Food and Agriculture Officers conferences of the region have recommended annually during the last several years that such a workshop be held. Missions are familiar with circumstances that caused the cancellation of plans to hold a credit workshop in FY 1956, in 1957 and in 1958. ICA/W is now proposing a workshop along the following general plan:

I. TIME -- Two weeks during April or May, 1959.

II. PLACE -- To be determined.

III. DELEGATES -- Not more than five, plus one or two interpreters, if required. The delegates should be persons preferably in ~~pkx~~ policy and administrative positions who understand their country's agricultural credit situation, who are influential in policy determinations, and who will have responsibility in their country's agricultural credit program. It is suggested also that there might appropriately be a token representation from cooperative, extension and marketing organizations, if requested by the countries. Observers might be sent by FAO, IBRD and possibly others.

IV. OBJECTIVES

1. Establish a general understanding of the fundamental elements of an effective credit system and the types of credit organizations best adapted to serve the needs of agriculture producers of the participating countries. To this end, the

(continued)

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J. Blume, S/FOOD
M. McCown, S/FOOD
J. Bell, ~~C/NEA~~
M. Harrison, S/FOOD
E. D. White, S/FOOD

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following is recommended:

(a) A general discussion of the basic factors inherent in an effective credit system.

(b) A careful study of the agricultural credit program in the host country.

(c) Brief explanations of the organization and operation of credit programs in other participating countries.

(d) The administrative relationship, if any, that should exist between cooperatives and the agricultural credit agency responsible for carrying out a credit program.

(e) The extent to which there should be an integration of programs of credit and marketing of agricultural products.

2. Establish a general understanding of important phases of successful credit programs through round-table discussions of:

(a) Sound principles and procedures in developing and operating credit programs.

(b) Elements of successful lending policies and practices.

(c) Supervision and collection of loans.

(d) Selection and training of personnel.

(e) Administrative problems in organizing, capitalizing and operating an agricultural credit programs

3. Assist participating countries which already have credit programs in finding means of improving policies and techniques involved in financing agricultural credit requirements.

4. Develop helpful suggestions and plans for assistance with follow-up activities to be used by delegates after they return home.

V. VI. CONDUCT OF THE WORKSHOP -- The workshop would be a working conference. Lectures and formal speeches would be avoided and emphasis would be put on fundamentals. Although there would be general sessions, much of the work would be done by committees of

participants grouped according to subjects and interests from viewpoint of participating countries. Conclusions and recommendations of committees would be presented and discussed at plenary sessions. Recommendations for subsequent workshops and training courses in credit and related cooperative marketing fields should be developed in conjunction with holding of this workshop.

VI. SPONSORSHIP -- ICA/W in cooperation with the host government.

VII. ICA/W would provide a consultant to assist the host country and USOM in preparing for the workshop. The consultant would also visit participating countries prior to the workshop to explain details of the ~~xxxxxxx~~ workshop plans, lend guidance in preparation of country reports on their agricultural credit programs and otherwise assist as desired.

VIII. BUDGET AND COST SHARING -- It is planned that Regional Funds will be used to cover cost of U. S. Consultants, travel within host country, preparation of material for workshop, preparation and publication of report, and related expenses. Participating countries would pay travel and per diem expenses for their own participants. Where USOMs desire participation of any of their staffs, necessary costs will be borne by the USOMs. It is hoped that the host country will provide conference facilities.

IX. USOM REPLIES -- ICA/W will appreciate suggestions by November 21, from each Mission regarding the above proposal.

~~XXX~~ SMITH

INTERNATIONAL COOPERATION ADMINISTRATION

ICA CABLE AND AIRGRAM ADDRESS SHEET FOR CIRCULAR MESSAGES

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4 of 4

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ICA-5-81 (5-58)

AIRGRAM

INTERNATIONAL COOPERATION ADMINISTRATION

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PAGE 1 OF 2 PAGES

DATE SENT
Sept 25, 1958

DATE REC'D.
OCT - 4 1958

FROM - WASHINGTON

SUBJECT - Agriculture Credit and Marketing
PPA 93-11-03b

REFERENCE - ~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~

(Check one before each address)

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Thailand's ~~agricx~~ agricultural program includes emphasis on agricultural credit, farm cooperatives and marketing of farm products. Recognizing that success in these endeavors requires a large number of well-informed farmer leaders as well as an adequate staff of carefully-trained operating technicians, the Mission and Government have put into operation an excellent program of activities to meet those needs. Quoted below is a report recently received from USOM/Bangkok on this program, which ICA/W~~x~~ believes will be of interest to other Missions:

"A 6-day workshop conference on cooperative marketing and credit was successfully completed July 2. 140 farmer leaders representing 9 cooperative marketing societies with a membership of more than 7,000 participated. The effectiveness of small discussion work group technique was demonstrated to farm leaders and Ministry of Cooperatives officials as a device for increasing understanding of marketing and credit problems and determining methods for improvement. The farmers contributed many sound proposals for improving and expanding cooperative services, and the conferees agreed to organize similar discussion study groups in their respective villages.

"It is believed that the major immediate result of conference was the demonstration to the officials of the ability of farmers to analyze problems and plan improvements in the management field. Officials who acted as group leaders appreciate the value of experience gained in this first attempt to apply this discussion group method in the cooperative marketing and credit fields.

"Participants provided written evaluation of conference, expressed desire for an annual conference and volunteered to devote ~~effors~~ efforts along same line in their villages. Some specific recom-

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E. N. Holmgreen, Director	FLKerr:as	S/FOOD	3663	9/23/58

ICA AND OTHER CLEARANCES
M. McCown, S/FOOD (in draft)
C. Orrben, S/FOOD (in draft)
C. Fossum, S/FOOD (in draft)
A. Himbert, S/FOOD (in draft)
E. D. White, S/FOOD

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ICA-5-39 (2-58)

mendations were made to Ministry officials concerning marketing improvements.

"Present plans for follow-up appear encouraging for development of farmer leadership in rural areas that will be qualified to assume responsible role in determining operating policies and directing the affairs of farmer cooperatives.

"The training of 15 cooperative marketing leaders from Korat Changwad (Province) on improved management and record keeping was completed July 10 with good results.

"Production Credit loan demonstration with farmer members of Land Cooperative has progressed to point of making loan advances. Educational meetings held, 65 individual credit applications completed and analyzed. Farmer committee reviewed and approved immediate loan advances for twenty one on 13 August. Initial farm fx visits completed by Thai technician. Basic individual loan records established and security and repayment agreements prepared.

"Four 10-day training schools for 100 land cooperative farm leaders are scheduled for 1st of September to 31st of October with program subjects, methods and training staff agreed upon.

"Technicians will be established at Korat by 25th of August when survey will be made for selection of village for production credit loan demonstration under village conditions.

"Full time services of cooperative management advisor urgently needed at early date for effective support to sub-projects on commodity credit and improved marketing."

SMITH

INTERNATIONAL COOPERATION ADMINISTRATION

ICA CABLE AND AIRGRAM ADDRESS SHEET FOR CIRCULAR MESSAGES

3 of 3

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ICA-5-81 (5-58)

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AGRI. CREDIT

No. 145 August 29, 1958

Ministry of Agriculture
Government of Iraq
Baghdad, Iraq

Re: Agricultural Credit

Gentlemen:

Enclosed for your information and the use of your staff concerned with making loans to farmers is a very interesting booklet entitled "Lending to Increase Farmers' Income" specially prepared for the ICA by the Farm Credit administration in the United States. This booklet sets forth a series of guides on the effective use of credit to increase production and aid the farmer. I feel sure that the Ministry will be interested in this because it is one of the special programs that should be strengthened in Iraq.

If the Ministry wishes to have additional copies of this booklet, please feel free to request them.

Very truly yours,

May E. Davis
Food and Agriculture Officer

Enc. - as stated above

For Information Only:

Mr. Tariq Al-Orfali
Iraq Liaison Officer
To Point Four

AGRICULTURE - Credit 1955 thru 1958

AIRGRAM

INTERNATIONAL COOPERATION ADMINISTRATION

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FROM - WASHINGTON

SUBJECT - Agricultural Credit Booklet - "Lending to Increase Farmers' Income"

REFERENCE - (Check one before each address)

ACTION	INFO	ADDRESS AND SERIAL NUMBER
		ICA/W CIRCULAR A 46

PAGE - PAGES OF

DATE SENT: AUG 7, 1958

DATE REC'D.: AUG 28 1958

AGRIC - CREDIT

Enclosed are three copies of a new booklet on Agricultural Credit, prepared by the Farm Credit Administration at ICA request for use by USOMs. It is a series of guides, or lessons, on the fundamental principles involved in making, supervising, and collecting loans. These principles and practices must be followed by lenders if they are to avoid collection problems and serious losses.

The enclosed booklet was designed primarily as an aid in advising on these principles and practices to credit personnel overseas. It should be useful, also, in agricultural colleges and in work with cooperatives, youth groups, and other groups.

The ICA objective is a booklet which explains in simple, non-technical language the following:

(a) What are the basic requirements in making loans that are safe for the lender and productive to the borrower.

(b) What information must lenders have in order to determine whether the loan under consideration would meet those requirements.

(c) How to obtain and then analyze that information.

(d) What is needed for effective supervision and collection of loans.

Additional copies of the booklet will be furnished upon receipt of request.

Attachments (3)

any TOICA A-149 9-3-58 SMITH

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M. McCown, S/FOOD
C. Possum, S/FOOD
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R. Stewart, S/FOOD

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INTERNATIONAL COOPERATION ADMINISTRATION

ICA CABLE AND AIRGRAM ADDRESS SHEET FOR CIRCULAR MESSAGES

2 of 2

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ICA-5-61 (5-58)

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INTERNATIONAL COOPERATION ADMINISTRATION

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PAGE 1 OF PAGES 1

DATE SENT
May 23, 1958

DATE REC'D.

FROM - Baghdad

SUBJECT - "You and Your Bank"

REFERENCE - ICATO CIRCULAR X A 860

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(AGRICULTURE - Credit)

DISTRIBUTION	ACTION	INFO	ADDRESS AND SERIAL NUMBER
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Please send one dozen (12) copies of "you and Your Bank".

for Ben H. Brown, Jr.
Director

OTHER AGENCY

AUTHORIZING OFFICER	DRAFTED BY	OFFICE	PHONE NO.	DATE
Ray E. Davis, Food and Agriculture Officer R,E,D,	REDavis/nm	Agriculture	245	5/20/58

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FROM - WASHINGTON

SUBJECT - Report of the Far East Agricultural Credit Workshop

REFERENCE - (Check one before each address)

PAGE	PAGES
OF	
DATE SENT	9-23-57
DATE REC'D.	OCT 2 1957

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			ICATO CIRCULAR XA 215
385 p			Enclosed is a copy of "Agricultural Credit in the Far East," a report of the Agricultural Credit Workshop held in the Philippines, June 1-14, 1956.
			As will be noted on pages 5-7, the Agenda covered five practical subjects of primary importance to all of the participating countries:
			1. Agricultural Credit Systems 2. Capital for Agricultural Loans 3. Making and Servicing Loans 4. Land Tenure and Agricultural Credit 5. Training of Personnel in Agricultural Credit.
			Your special attention is invited to the Work Group reports on pages 93-108.
			Enclosure
			FITZGERALD (ACTING)
OTHER AGENCY			
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Nov 8 57
Rec'd 10/8/57

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A. Himbert, S/FOOD
Don Hubbell, S/FOOD
M. McCown, S/FOOD
R. Tyson, S/FOOD

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PAGE ___ OF ___ PAGES

DATE SENT August 21, 1957

DATE RECD. AUG 28 1957

FROM - WASHINGTON

SUBJECT - Performance Report -- Rural Banking System 1953-1956

REFERENCE - (Check one before each address)

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The attached report of the Rural Banking System in the Philippines reflects an impressive record. Not only have these Rural Banks already assumed a position of definite importance in the country's agricultural credit program but they have been very successful in mobilizing private capital for agricultural financing.

Enclosure

HOLLISTER

R & D 8/28

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E. N. Holmgreen, Director	F. L. Kerr:as	S/FOOD	3669	8/16/57

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Helen Lortz, S/FOOD

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DATE SENT July 17, 1957

DATE REC'D JUL 29 1957

FROM - WASHINGTON

SUBJECT - Rural Banks Administration's 4th Annual Report

REFERENCE - ~~TOICA A 1359~~ 49

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The semi-private Rural Banking System in the Philippines is growing very rapidly, as will be noted from the enclosed Fourth Annual Report. These rural banks are not ~~xxx~~ only furnishing banking services to many rural communities and increasing the total amount of funds available for loans to farmers but they are also attracting private investors to put millions of pesos into the capitalization of the banks, thereby building toward a privately owned banking system throughout the country.

Enclosure

CABLE ROOM: Please send enclosures as ICATO CIRCULAR X A 49 to the following Missions. HOLLISTER

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R. Tyson, S/FOOD

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SUBJECT - "Loan Program of the Farmers Home Administration"

PAGE	PAGES
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Attached is a copy of the booklet "Loan Program of the Farmers Home Administration." A reasonable number of additional copies can be furnished, if they should be needed.

This publication summarizes the principles and practices in the administration of supervised credit in the U. S. It was prepared by the Farmers Home Administration as part of its back-stopping service for ICA.

Enclosure

HOLLISTER

ENCLOSURES

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INTERNATIONAL COOPERATION ADMINISTRATION

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LOAN PROGRAM OF THE FARMERS HOME ADMINISTRATION

Prepared as an information aid, in explaining the Farmers Home Administration program to agricultural leaders of other countries.

U. S. Department of Agriculture
Farmers Home Administration

Washington 25, D. C.
May 1957

LOAN PROGRAM OF THE FARMERS HOME ADMINISTRATION

The Farmers Home Administration is an agency in the U. S. Department of Agriculture. It was established by Act of Congress, August 14, 1946, to meet certain credit needs of farmers that can not be met by other lenders. The Act continued and broadened some of the loan services that had been made available by predecessor agencies. Additional loan services have since been provided.

I

Distinctive Features of the Farmers Home Administration Credit Program

A. The main objective of Farmers Home Administration is to enable farm families to become soundly established in successful, well balanced systems of farming. Loans are made primarily for developing and strengthening family-type farms.

B. Loans are made only when credit is not available from other sources. Farmers Home Administration borrowers agree to obtain their credit from other lenders when they reach or regain a position where they can do so. Every year thousands of farmers graduate to other lenders. In 1956 more than 55,000 farmers paid their loans in full to Farmers Home Administration. This credit program supplements other sources of credit.

C. Credit is backed with advice and technical assistance. This assistance is provided borrowers on the basis of their individual problems and needs. Assistance is given in analyzing problems and progress, planning a sound farming operation, establishing efficient farm management practices and making a wise use of credit.

D. Emergency credit is provided to farmers that had losses because of conditions beyond their control, such as drought and floods.

E. Loans are made with expectation that they will be repaid out of income to be received from sound farming operations, rather than on the basis of how much security can be given. However, loans are secured by liens on crops, chattels, and real estate to the extent necessary to protect the Government's interest.

II

Organization of the Farmers Home Administration

The National Office in Washington, D. C., under the direction of an Administrator, in accordance with laws passed by Congress, issues procedures, controls budgets and gives technical training to field staffs.

The National Finance Office, located in St. Louis, Missouri, handles fiscal and accounting services. It keeps records and accounts for all funds disbursed and collected by the agency.

The 43 State Offices serve all states, Hawaii, Alaska, Puerto Rico, and the Virgin Islands. Five state offices serve more than one state. A State Director is in charge of each state office. He and his staff direct and train county office staffs, analyze loan programs, control state budgets for loans and approve the larger loans. In each state an advisory committee of leading farmers and business men interested in farmers' problems assists the State Director in applying national policies.

Some 1,550 County Offices are located throughout the country, usually in county seat towns. Some offices serve several counties. All applications for loans are made at the county offices. The County Supervisor who is in charge of each office is a capable agriculturist who helps farm families prepare farm and home plans, approves most loans, gives technical advice to borrowers during on-the-farm visits, services security given for loans, makes collections from borrowers and transmits the collected funds to the national finance office.

County Farmers Home Administration Committees consisting of three members are appointed by the State Director for each county. Two must be farmers. The third member may be a local business man familiar with local farmers and their needs. These committees determine the eligibility of applicants, certify the value of farms being purchased or improved by Farmers Home Administration loans, and make recommendations concerning certain loan approval and loan servicing actions.

The Farmers Home Administration has approximately 5,500 full-time employees, 220 of whom are in Washington, and 9,300 state and county committeemen who are part-time employees paid in an average of 8 to 10 days a year.

III

The Place of Farmers Home Administration in the Agricultural Credit Field

While each year, in recent years, the agency has advanced and insured more funds than the year before, the agency still provides a relatively small amount of the agricultural credit used by farmers. As of December 31, 1956, the principal outstanding balance of loans made and insured by the Farmers Home Administration was approximately $885,000,000. This represented a little less than 5 percent of the outstanding indebtedness of farmers at that time.

The total loans made and insured by the Farmers Home Administration in 1956 amounted to more than $336,000,000, a record level. Approximately 10 percent, or $44,000,000, of the funds loaned, were insured. About a quarter million farm families worked their farms with the help of Farmers Home Administration credit during 1956.

IV

Main Features of Supervised Credit

Farm Management Guidance is Provided Borrowers in:

1. Analyzing farming and credit problems including the adequacy of available resources.
2. Developing long time and annual farm and home plans that provide for a sound system of farming.
3. Making needed adjustments in farming operations and completing farm improvements.
4. Keeping farm and home records of income and expense.
5. Making wise use of income including orderly repayment of debts.
6. Adopting approved farm and home practices.
7. Making yearly analysis of farm and home business as a basis for further improving the farm and home business.

Farmers Home Administration Loans are Protected by:

1. Making loans only for essential purposes.
2. Controlling expenditure of loan funds.
3. Checking security items carefully.
4. Maintaining accurate and current mortgages.
5. Visiting borrower's farms to determine progress and assist with problems.
6. Making collections when income is available.
7. Scheduling payments according to borrowers ability to pay.
8. Assistance of local committees.

Types of Loans Made by the Farmers Home Administration

A. OPERATING LOANS

These loans are used primarily to obtain resources needed to become successfully established in farming. They are made from funds appropriated by Congress. In 1956 the volume of operating loans totaled approximately $165,000,000. Approximately 75 percent was invested in equipment and livestock.

To Be Eligible An Applicant Must:

1. Be unable to obtain adequate credit from other lenders at reasonable terms.

2. Be a citizen of the United States and of legal age.

3. Have good character.

4. Have the necessary experience or training and managerial ability to operate a family-type farm.

5. Own or have available under satisfactory tenure arrangements adequate land resources to carry on successful family-type farming operations.

6. With the assistance of local county Farmers Home Administration supervisors plan a sound farming operation which will provide the family with an adequate level of living, pay farm operating and maintenance costs, and pay debts.

7. Agree to keep records and accounts on the farm and home operations each year during the period of the loan.

8. Agree to operate the farm according to the farm and home plans and to follow recommended farm and home management practices.

9. Agree to spend the major portion of his time farming and to obtain the major portion of his income from farming.

10. When able to obtain adequate credit from other lenders, at reasonable rates and terms, agree to accept such credit and repay the loan from the Farmers Home Administration.

Loan Funds May Be Used To:

1. Purchase essential farm and home equipment and productive livestock.

2. Pay necessary farm operating and family living expenses.

3. Make minor real estate improvements.

4. Refinance debts on livestock, farm equipment and harvested feed, when such action is necessary to assure a sound farming operation.

Terms and Repayment Policies are:

1. Interest rate is 5 percent on unpaid principal.

2. Total indebtedness for operating loans may not exceed $20,000 principal. Usually credit needs of borrowers can be served with much smaller amount.

3. Amount borrowed for operating expenses to be repaid from the year's income.

4. Amount borrowed for capital goods scheduled for repayment in annual installments not to exceed 7 years.

5. Amount and time of repayment determined by availability of income for debt payment.

6. Generally no additional operating loans may be made after 7 years continuous indebtedness. However, in hardship cases additional loans may be made for 3 more years.

Security Requirements Are:

1. A first lien obtainable on productive livestock equipment purchased or refinanced.

2. The best lien obtainable on productive livestock and farm equipment owned.

3. A first lien on crops and assignments on some items of income.

4. A subordination agreement by landlord when needed.

Note: Primarily as a part of the rural development program operating loans may also be made to bona fide part-time farmers to make needed improvements in their living conditions and economic situation. The applicant must be an established farmer carrying on substantial farming operations and spending most of his time farming. He must also have dependable income from other sources.

Types of Loans Made by the Farmers Home Administration (continued)

B. FARM OWNERSHIP LOAN

These loans assist farm families to become successfully established on adequate family-type farms. Farm ownership loans are made either from funds furnished by private lenders and insured by the Farmers Home Administration or from funds borrowed from the U. S. Treasury as authorized by Congress. During 1956 insured loans totaled $35,400,000 and direct loans $27,200,000.

To Be Eligible An Applicant Must:

1. Be unable temporarily to obtain adequate credit from other sources at reasonable rates and terms.

2. Be citizen of the United States and of legal age.

3. Have good character.

4. Have the necessary experience or training and managerial ability to operate a family-type farm.

5. Unless a veteran, obtain or recently have obtained substantial portion of his income from farming operations.

6. With the assistance of local county Farmers Home Administration supervisors plan a sound farming operation which will provide the family with an adequate level of living, pay farm operating and maintenance costs, and pay debts.

7. Agree to keep records and accounts on the farm and home operations each year during the period of the loan.

8. Agree to operate the farm according to the farm and home plan and to follow recommended farm and home management practices.

9. Agree to spend the major portion of his time farming and to obtain the major portion of his income from farming.

10. When able to obtain adequate credit from other lenders, at reasonable rates and terms, agree to accept such credit and repay the balance of the loan from the Farmers Home Administration.

Loan Funds May Be Used To:

1. Buy an adequate family-type farm or buy land to enlarge an undersized farm.

2. Provide necessary water, and water facilities.

3. Provide basic land and soil improvements.

4. Construct, repair, and improve buildings necessary for successful operation of a family-type farm.

5. Refinance existing debts if the applicant's total debts do not exceed the value of his real estate and chattels and if the applicant will be able to place his operations on a sound basis if his debts are refinanced on more favorable terms and conditions.

6. Pay authorized fees.

Loan Terms and Repayment Policies Are:

1. On insured loans, 3½ percent interest and 1 percent loan insurance charge on the unpaid principal.

2. On direct loans, 4½ percent interest on the unpaid principal.

3. Payments are due on January 1 each year. Borrowers are encouraged to build reserve by paying ahead of schedule.

4. Loans are amortized over periods up to 40 years.

Special Requirements Are:

1. Loans for farm purchase cannot exceed the county average value of efficient family-type farms.

2. Loans cannot exceed the fair and reasonable value of the farm established by the Farmers Home Administration county committee.

3. Insured loans are limited to either 90 percent of the county committee's valuation of the farm, or 90 percent of the total cost of acquiring and developing the farm, whichever is less.

Security Requirements Are:

1. A first or second real estate mortgage.

2. Buildings insured against loss by fire or other casualties.

3. Real estate taxes must be paid.

Note: Primarily as a part of the rural development program farm ownership loans also may be made to owners of units that are smaller than family-type farms to improve the living and operating conditions on such units and to refinance debts incurred for agricultural purposes. The applicant must be an established farmer carrying on substantial farming operations and spending most of his time farming. He must also have dependable income from other sources.

Types of Loans Made by the Farmers Home Administration (continued)

C. SOIL AND WATER CONSERVATION LOANS

These loans are made to carry out soil conservation measures and to develop irrigation and farmstead water supply systems. They are made as insured or direct loans. During 1956 insured loans totaled $8,910,000 and direct loans $3,040,000.

To be eligible an applicant must:

1. Be unable to obtain adequate credit from other sources at reasonable terms.
2. Be a citizen of the United States and of legal age.
3. Have good character.
4. Be an owner or operator of a farm.
5. Plan to improve a farm which is large enough to produce a substantial part of the operator's annual cash income.
6. Non-profit organizations, such as incorporated water users' associations are eligible for a loan when they are unable to obtain credit elsewhere and meet certain other conditions.

Loan funds may be used to:

1. Carry out approved soil conservation practices.
2. Develop irrigation systems.
4. Develop drainage systems.
5. Pay authorized fees.

Loan terms and repayment policies are:

1. For insured loans, 3½ percent interest and 1 percent mortgage insurance charge on the unpaid principal balance.

2. For direct loans, 4½ percent interest on the unpaid principal balance.

3. Loans are repayable in 1 to 20 years, depending on ability to pay and security given.

4. Repayments are scheduled in equal annual installments except that, when necessary, the first or first two installments may be scheduled for interest only.

5. An individual's total indebtedness for a SW loan cannot exceed $25,000. An associations total indebtedness cannot exceed $250,000.

Special requirements are:

1. Loans are made only when the use and disposal of water comply with Federal, state, and local laws and regulations.

2. Supervisory assistance is given to the extent necessary to assure repayment of the loan, establishment of the improvement or facility, and maintenance of the security property.

3. Practices financed only when in accordance with Extension Service and Soil Conservation Service recommendations.

4. Each applicant is responsible for obtaining plans, specifications, and cost estimate for the planned improvement and facility.

5. When real estate is taken as security, property insurance will be required.

Security requirements are:

1. A short-term loan is secured by either a real estate mortgage, chattel mortgage, or both.

2. A long-term loan is secured by real estate mortgage.

Types of Loans Made by the Farmers Home Administration (continued)

D. FARM HOUSING LOANS

These loans are used to build and repair farm houses and other essential farm buildings. They are made from funds appropriated by Congress. In 1956 the volume of farm housing loans totaled $10,640,000.

To Be Eligible An Applicant Must:

1. Be unable temporarily to obtain adequate credit from other sources at reasonable terms.
2. Be a citizen of the United States and of legal age.
3. Have good character.
4. Own a farm which (a) will produce a substantial part of the operator's annual cash income and (b) is large enough to be considered a farm, (c) is without decent, safe, and sanitary dwelling or other essential buildings and facilities.
5. Have the ability and experience necessary to carry out planned farming operations and housing loan requirements.

Loan Funds May Be Used To:

1. Construct or repair farm houses and other essential farm buildings.
2. Provide water supply and related facilities for dwellings and other farm buildings.
3. Pay authorized fees.

Loans May Not Be Made To:

1. Provide buildings that are excessive or that would cost considerably more than adequate buildings on other farms in the community.

2. Pay debts incurred prior to the closing of the loan.

Loan Terms and Repayment Policies Are:

1. Interest rate 4 percent on unpaid principal.

2. Payments amortized over periods up to 33 years.

Special Requirements Are:

1. Applicants are expected to furnish detailed building plans. The Farmers Home Administration has a limited number of plans available that applicants may use if they choose to do so.

2. The Farmers Home Administration inspects construction as it progresses to assist the borrower in obtaining construction that meets generally accepted standards of soundness.

Security Requirements Are:

1. Adequate real estate security on the farm being improved and on other real estate when necessary.

Types of Loans Made by the Farmers Home Administration (continued)

E. SPECIAL LIVESTOCK LOANS

These loans are used to provide emergency credit to established producers of cattle, sheep, and goats. They are made from a revolving fund established by Congress. During 1956 the loans totaled $12,860,000.

To be eligible an applicant must:

1. Be an established producer of cattle, sheep, or goats.
2. Be unable temporarily to obtain needed credit from banks or other responsible sources.
3. Have good character.
4. Have a good past record of livestock operations.
5. Have the resources, experience, and managerial ability deemed necessary for the success of the operation.
6. Have reasonable prospects of repayment and return to private credit.

Loan funds may be used to:

1. Purchase or produce feed for livestock owned.
2. Pay essential operating expenses, including labor and living costs.
3. Purchase livestock for replacement or restocking.
4. Pay grazing fees and rent for pasture and land on which feed is produced.
5. Hire, repair and replace farm or ranch equipment and machinery.
6. Build or repair fences.
7. Pay costs of transportation of livestock, including to and from grazing lands.

8. Repair or improve water supplies, necessary to the livestock operation.

9. Pay cost of normal maintenance of farm and ranch buildings.

Loans may not be made to:

1. Refinance existing debts.

2. Produce cash crops.

3. Finance a commercial feed lot operation.

4. Enable a borrower to expand substantially his normal operations.

Loan terms and repayment policies are:

1. Interest rate is 5 percent on the unpaid principal.

2. Loans for annual operating expenses to be repaid from year's income.

3. Loans for livestock purchases to be repaid over longer period but not to exceed 3 years.

Security requirements are:

1. Loans to corporations or other business organizations will be secured by the personal obligation of each person owning 10 percent or more of stock.

2. The best lien obtainable on all livestock and equipment owned when the loan was made.

3. A first lien on livestock and equipment purchased with loan funds.

4. The best lien obtainable on all crops.

5. When necessary, the best lien obtainable on all real estate.

6. Nondisturbance agreements from creditors.

7. Agreement for division of income when livestock is subject to a prior lien.

Types of Loans Made by the Farmers Home Administration (continued)

F. EMERGENCY LOANS

These loans are used to assist farmers in emergency areas to continue farming. They are made from a revolving fund established by Congress. During 1956 $75,670,000 was loaned.

To be eligible an applicant must:

1. Be an established farmer in a designated emergency area.
2. Be engaged primarily in farming or livestock production.
3. Be unable temporarily to obtain needed credit from banks or other responsible sources.
4. Have good character.
5. Have the resources, experience, and managerial ability deemed necessary for the success of the operation.
6. If applying for a production emergency loan, have suffered substantial loss due to the emergency.
7. Have reasonable prospects of repayment and return to private credit.

Loan funds may be used in designated areas to:

1. Purchase feed, fuel, seed, fertilizer, and farm and home supplies.
2. Replace livestock lost in the disaster.
3. Replace or repair farm and home equipment.
4. Replace or repair farm buildings, fences, drainage or irrigation systems damaged as a result of the emergency.
5. Level land and remove debris resulting from the emergency.

6. Pay current taxes on real property when necessary.

7. Pay water charges necessary to the operation.

8. Make minor repairs or improvements to farm water supplies.

9. Pay labor, machinery hire and other essential expenses.

Loans may not be made to:

1. Refinance existing debts.

2. Pay cash rent.

3. Enable borrowers to expand his normal operations.

Loan terms and repayment plans are:

1. Interest rate 3 percent on unpaid balance.

2. Loans for production of crops repaid as crops are sold.

3. Loans for feed repaid as livestock or livestock products are sold.

4. Loans for replacement of equipment, building repairs, or similar purposes, may be scheduled over a longer period.

Security requirements are:

1. A first lien on crops produced with loan funds.

2. A first lien on livestock and equipment purchased with loan funds.

3. The best lien obtainable on all other crops.

4. When necessary, the best lien obtainable on livestock and equipment owned when loan was made.

5. When necessary, the best lien obtainable on real estate.

6. Agreement for division of income when livestock is subject to a prior lien.

Types of Loans Made by the Farmers Home Administration (continued)

G. INSURED LOANS

These loans are made by the Farmers Home Administration in the farm ownership and soil and water conservation loan program, from funds provided by private lenders and insured by the Government. Applications for insured loans are processed just the same as those made from funds borrowed from the U. S. Treasury. In the farm ownership program the insured loans are made in amounts up to 90 percent of the value of the farm. So far as the borrower is concerned, the fact that an equity is required in the case of an insured farm ownership loan is the only difference between the two types of credit.

Insured loans made under the soil and water conservation program can be for the full amount of the cost of the improvements to be made with the loan.

The interest rate on insured loans is 3½ percent and in addition there is a 1 percent charge for administrative expenses and insurance. The interest rate on appropriated funds is 4½ percent. The terms are the same.

Mortgages on insured loans are given to the Farmers Home Administration but the note is made payable to the lender and endorsed by Farmers Home Administration to fully guarantee payment of the loan of the lender. Farmers Home Administration does all servicing on these loans and sends payments to the lender when they are due.

V

Analysis of Results of Farmers Home Administration Loaning Program

A brief summary of the loans made and insured by the Farmers Home Administration and predecessor agencies and the repayments on these loans as of June 30, 1956 is as follows:

Total of all loans made	$3,800,000,000
Collections of principal	$2,700,000,000
Interest collected	$375,000,000
Principal outstanding	$912,000,000

Following are some details on loans and repayments and progress made by borrowers.

A. Rural Rehabilitation Loans

These loans were made by predecessor agencies during the period 1935 to 1946. The unpaid balances of the loans were transferred to the Farmers Home Administration for servicing.

Total amount of loans made	$1,005,000,000
Repayments on principal	$890,000,000
Payment of interest	$125,000,000
Percent of matured principal collected	88.6%
Amount of principal charged off	$88,000,000
Percent of principal charged off	8.8%
Amount of principal outstanding	$25,000,000

B. Production and Subsistence Loans

The following figures are for the period November 1, 1946 through June 30, 1956.

Total amount of loan made	$1,000,000,000
Repayment of principal	$691,000,000
Percent of matured principal collected	92.9%
Payment of interest	$69,000,000
Percent of principal charged off	.4%

Progress made by a group (14,000) of operating loan borrowers who recently paid their loans in full is indicated by the following:

Average number of years required to pay loans in full	4.2
Average net worth before loan was made	$6,552
Average net worth when loan was paid in full	$9,068
Average annual farm income before loan was made	$3,038
Average annual farm income when loan was paid in full	$4,434

C. Farm Ownership Loans

The following figures are for the fiscal years 1938 through 1956 and include direct and insured loans.

Total number of loans made	84,000
Total number of loans paid in full	42,000
Total amount of direct and insured loans made	$623,000,000
Total payment on principal	$304,000,000
Interest collected	$94,000,000
Losses charged off	.4%
Principal repayments to maturities on loans still outstanding	107%

Average number of years required for those that have paid their loans in full to complete their payments has been approximately 10 years even though the repayment period was scheduled for a period of 40 years.

A study was made of a group of these borrowers (2,732) who had been assisted by this program for 5 years - 1950 to 1955. Following are some basic data from this study:

Average annual cash farm income before loan was made	$3,248
Average annual cash farm income in 1955	$5,435
Average net worth before loan was made	$6,251
Average net worth in 1955	$9,703
Average value of livestock and equipment owned before the loan was made	$4,073
Average value of livestock and equipment in 1955	$6,510

*** *** *** *** ***

AIRGRAM

INTERNATIONAL COOPERATION ADMINISTRATION

AIRGRAM

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FROM - BAGHDAD

SUBJECT - Near East Agricultural Credit Workshop

REFERENCE - ICATO Circular - NA 62
(Check one before each address)

PAGE 1 OF 1 PAGES

DATE SENT Apr. 30, 1957

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Agric - Credit

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The attached paper, Modern Farm Credit In Iraq. was prepared as the first step toward convoking a panel or seminar on agricultural credit in Iraq. Discussions are now going on as to what shall be done with the paper. It has been read by Dr. Darwish Al-Haidari Director General of the Date Association and Chairman of the Board of the Iraq Agricultural Bank. He intends to discuss it with the Ministers of Agriculture, Economics and Development and possibly with the Prime Minister. Arrangements for a seminar on the paper will be made, if it all, only after consultation with these major officials.

Participation of Iraq at the regional workshop proposed in reference airgram, will be contingent on the results of this proposed meeting here in Iraq and about all that can be said at the moment is that the preference here now is for concentrating attention on what to do at home rather than on participation in a regional workshop. The Iraqis have participated at two regional meetings in recent years and feel they need to explore more deeply the situation within the country prior to participating in another. However there is considerable possibility that one (Iraqi) would be sent to a regional workshop if it was convened after the proposed meeting for Iraq. The opinion here is that the regional workshop should best be scheduled for next fall.

OTHER AGENCY

The Modern Farm Credit in Iraq paper was prepared without the benefit of reference material other than the 1952 and 1955 yearbooks of Agricultural Statistics. There may be errors of fact, interpretation or emphasis that need correction. The Mission will be glad to have comments.

BHB

Ben H. Brown, Jr.
Director

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FROM - WASHINGTON

SUBJECT - Credit for Farm Youth Booklets

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Attached is a copy of each of the following materials on the subject of credit for farm youth:

1. "Leader's Guide for Credit Work with 4-H Clubs and YMW Groups" -- Circular E 39, by Farm Credit Administration.

2. "Rural Youth Starts with Credit" -- Circular E 38 by Farm Credit Administration.

3. "Reports" assembled in Federal Extension Service, USDA.

It will be noticed that Circular E 38 is a companion to the Leader's Guide -- a "textbook" for students. These two circulars are out of print but we were able to obtain enough copies to furnish one to each Mission.

We hope these publications will be of interest and help in Missions which have Rural Youth programs. Credit is especially well suited for study by Rural Youth groups. Such studies become particularly meaningful when they are related to the financing of the youths' individual farm projects. Some interesting accounts of how this has been done ~~in~~ in the U. S. are related in the "Reports" assembled for us by the Federal Extension Service.

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Enclosed also is a copy of the Farm Credit Manual and the related Visual Aid folder "For a Brighter Future". These also contain background material which should be helpful in developing credit programs for Rural Youths.

HOLLISTER

Enclosures: 1 set to each mission

CABLE ROOM: Please send as ~~XEROGRAM~~ _____ AND ~~CIRCULAR~~ CIRCULAR X A _____ to the following Missions.

3 Addis Ababa
7 Ankara
7 Athens
6 Baghdad
6 Beirut
5 Kabul
8 Karachi
8 Katmandu
10 Monrovia
8 New Delhi
10 Tehran
5 Tripoli
5 Colombo
3 Asmara

5 Belgrade
3 Lisbon
7 Madrid
10 Paris (USRO)
8 Rome

10 Asuncion
5 Bogota
3 Georgetwon
9 Guatemala City
3 Havana
10 La Paz
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AIRGRAM **INTERNATIONAL COOPERATION ADMINISTRATION** **AIRGRAM**

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PAGE 1 OF PAGES 2

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FROM - WASHINGTON

SUBJECT - Country Agricultural Credit Seminars

REFERENCE - (Check one before each address)

Agric - Credit

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1. At the conference at Hyderabad, November 5-14, 1956, Food and Agricultural Officers went on record as follows on the agricultural credit and cooperative program:

2. "It is recommended that local seminars be held in each country of the Region, to be attended by bankers, credit officials, USOM and U. S. technicians. These seminars should be held as soon as possible so that all will be completed prior to the 1957 Regional Agriculturalist meeting. It is felt that Dr. Virgil P. Lee, who has already visited some of the countries of the Region should be continued for this work and be one of the U. S. officials to attend the seminars and then attend the Food and Agriculture Officers meeting in 1957."

3. With proper planning, leadership and participation the recommended seminars should be highly effective in focusing attention on the country's credit problems and in developing greater appreciation of the contribution that an effective system of agricultural credit can make to the country's national economy as well as to a g higher standard of living for its farm people. It is contemplated that as soon as conditions in the Near East permit, USOMs will be queried on carrying through on the agricultural credit workshop planned with the help of Dr. Virgil P. Lee. Country seminars held in the meantime will provide further excellent foundation for such a workshop.

4. Dr. Lee has indicated his willingness to aid in the workshop at such time as it is scheduled. At present, his availability for the country seminars is questionable; however, either he or some other qualified consultant can be made available for consultation in individual countries.

OTHER AGENCY

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J. Emerson, S/FOOD
Mrs. Julia Hackett, ~~EXSEC~~, NE

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5. Missions have the responsibility for securing Government approval of the seminars and for planning and conducting them. The consultant would assist in an advisory capacity as needed and actively participate in the program.

6. In order that best use can be made of the consultant's time and that conflicts in seminar dates as well as unnecessary travel by him between countries may be avoided, a schedule of the seminars should be prepared at an early date. It is requested, therefore, that each Mission promptly send us the following information: (a) does Mission plan to hold a seminar? What are preferences as to dates?, (b) How long will consultant be needed?, (c) what type of assistance by the consultant is desired? The consultant probably would not be able to spend more than three weeks in any country.

7. Please advise us by February 15 your tentative plans for a country seminar.

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AIRGRAM

INTERNATIONAL COOPERATION ADMINISTRATION

AIRGRAM

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Ag / Credit

FROM - WASHINGTON

SUBJECT - Agricultural Credit Statement by Dr. Virgil P. Lee

REFERENCE - (Check one before each address)

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Enclosed are two copies of credit suggestions contained in a recent report received from Dr. Virgil P. Lee, ICA Consultant, who has been assisting with plans for a credit workshop for Near East countries.

Dr. Lee's statement is such a clear, pointed appraisal of the credit needs and problems in the countries he has visited and contains such sound logic, it should be extremely helpful to Missions in dealing with their local credit situations. Also, it should serve a useful purpose to those from Missions who will be participating in discussions of agricultural credit at the F & A Officers' Conference in Hyderabad.

Enclosures:

HOLLISTER

AUTHORIZING OFFICER	DRAFTED BY	OFFICE	PHONE NO.	DATE
E. N. Wolmgreen, Director	F. L. Kerr:as	S/FOOD	3669	10/23/56

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M. McCown, S/FOOD

R. Tyson, S/FOOD

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V. m Lyles, O/AFE

Hooper, O/NESA

ICA 5-39 (7-55)

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INTERNATIONAL COOPERATION ADMINISTRATION

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ICA-5-81 (3-56)

CREDIT SUGGESTIONS BY

DR. V. P. LEE

CREDIT SUGGESTIONS

DR. V. P. LEE

I. Near East Workshop -

a. Principal issues that should be taken up at the workshop.

1st. Need for a more thorough analysis by each country on the part a better credit system could play in making various programs more effective and in getting them in operation more promptly. Many people who are primarily interested in credit need to work more closely with the people who are trying to get farmers to plant better seed, for instance. A broad study of the needs for better credit, taking up where the "Background Materials" summary called for in item 4 of ICA/W Airgram of July 19, 1956 leaves off, would be worth a great deal. Agricultural Officers in USOMs will readily agree to the need of a better understanding all around of the place of credit in the promotion of their programs.

2nd. Another subject that should have a lot of consideration is the connection between credit and an adequate system of marketing farm products and of purchasing farm equipment and supplies. Regardless of the fact that credit may be made available, the farmer can't get anywhere if he is heavily over-charged for supplies and doesn't get anything like the real value of his products. Many countries seem to find it necessary for the bank or credit association to get in the marketing business in self defense. We consider the merchants "take" as added interest; but if he continues his "take" after the bank advances cash to the farmer, the total interest is increased by just the amount the bank charges. This situation seems to be in the thinking when a country concludes that the interest rate of the Government Agricultural Bank should be set at a very nominal figure.

3rd. Another subject which needs full consideration is closely related to No. 1 above - that is, the question of the credit people in each country learning how to present their case to the responsible authorities of the Government so the importance of credit in increasing the prosperity of agriculture will be fully realized. Nearly everywhere I have been everybody well knows that the total annual income of the country is largely agricultural, but few realize how much agricultural production could be increased by using proper methods of planting, cultivating, fertilizing, irrigating, etc. and what part credit could play in getting these improvements in effect. Greece has demonstrated what can be done by increasing its total production of foodstuffs around 60 to 70% since the late thirties - and that in spite of the extreme set backs farming had there during World War II and the guerrilla warfare

for years afterward. The agricultural bank there has taken the bull by the horns and made fertilizers available, for instance, to thousands of farmers. It is my impression also that it has been effective in improving agricultural production in many other ways. No doubt it has had an influence in getting a general improvement in marketing products and buying supplies and equipment. Some other countries would do well to find out how they do it.

Another example is Iraq. Here is one place where there seems to be a fairly adequate supply of money if the leading authorities of the country could just find some effective way to lend it to farmers. No doubt they would find some way to lend the money if they fully realized what effect it could have on the prosperity of the whole country. They are fully conscious of the advantage of developing their own processing plants rather than shipping the raw materials to some other country, and they are preparing to put a lot of money in these plants. Now, if they could get credit to individual farmers they could really make a lot of progress.

b. and c. Suggestions for Agriculture officers on advance planning of delegates to the workshop.

1. There can be no better start for the delegates than to get them to do a thorough job preparing the "Background Material" called for under item 4 of ICA/W Airgram of July 19th. It will be a mistake if USOM decides to pitch in and prepare this statement. Delegates who are qualified to go to the meeting are qualified to work up this statement. They will need help from USOM, but it should be their responsibility to argue it out and to dig up the necessary information. In fact, I think the delegates may be able to do as much good by working up this statement in a good thorough manner as they will by attending the conference. Agriculture people can do a lot by encouraging them to do this job right and by getting them sharpened up on the various phases of credit by arguing out the various points with them before they go to the meeting.

2. I think agriculture officers can also help a lot by keeping the subject of credit and the credit workshop before the Governmental authorities so that the delegates will have a ready audience in presenting their ideas when they get back home.

3. Agriculture officers can help get the delegates organized to do effective work at the meeting by seeing that the language situation is well handled, by getting the delegates organized with a chairman, a secretary, and a man to make the introductory speech. They

can inspire the delegates to do a good job collecting and writing down ideas while at the conference. They should be encouraged to come back with some very specific suggestions for application.

4. Agricultural officers have some real responsibility in helping the delegates present their story after they get back. In fact, this should give the USOM an excellent opportunity to show the Government authorities the connection between an adequate source of credit and the promotion of the various programs the USOM is advocating - for instance, the increased effectiveness of extension service work if farmers could readily get credit to buy better seed, fertilizer, etc.

5. I would think the agriculture officer in each USOM should work up a systematic program to help the delegates when they return: (a) Help them to get up a logical and effective statement of their recommendations; (b) Arrange a hearing for them before USOM people; (c) Help them to get a good hearing before their own Government officials.

6. Agriculture officers can help the delegates by developing effective methods of presenting their ideas through charts, pictures, etc. In most countries Government officials need educating more than farmers - or at least they seem to be harder to educate on some of the improved methods. I have seen certain USOM programs making a lot of progress because the farmers got the idea and put the pressure on the Government to help them put the practices into effect.

7. I would suggest Agriculture officers encourage the delegates and others in the Government to continue to make studies of the part credit can play in increasing farm prosperity. I would like to see USOMs in all countries give some real help in making a thorough analysis of how: (1) present credit methods are retarding progress; (2) how improved credit methods could increase production.

II. <u>Approach to Credit</u>

I am not sure I am in position to make any worthwhile suggestions on this subject as outlined. I think the question of the desirability of ICA putting up capital in an agricultural bank must be analyzed thoroughly in advance so there will be a thorough understanding of our position and the position of the authorities who are to run the conference. It is my own opinion that we may be more effective if we will decide in advance that the country is capable of taking the capital and making good use of it - maybe not as effective as we think we could do it ourselves, but nevertheless making it a real asset to agriculture. I think we are inclined to be too skeptic and fearful that politicians will take

advantage here and there. It is very discouraging to people when you offer help and then prove by your actions that they are not worthy of help. I would be inclined to analyze the situation thoroughly and then put up the capital with a fairly free rein for them to handle it, or else not put it up.

I think there is real need for consultation on agricultural credit if it can be done on the right basis. In the first place, I think the country should be left free to ask for consultation, or not ask for it. If pushed, they give lip service and never get much good out of it, but if it is fully voluntary there is a chance to do some good. In the second place, not just anybody can do a good job advising others on credit matters. I have been impressed more and more of the desirability of starting on the ground with what they already have and gradually working from there. You can't go in with a blue print and ever get anywhere. An advisor in a strange country must throw away all pre-conceived ideas or schemes about what will fit. I haven't seen a single country yet, for instance, where I think a Federal land bank, a bank for cooperatives, or a PCA, A la USA, would fit. Neither will F.H.A. You have to be willing to start new, with the people and the country and their institutions as they are. In the third place, I don't think a consultant should have any authority or an axe by which he could get people to take his advice against their better judgement.

AIRGRAM

INTERNATIONAL COOPERATION ADMINISTRATION

AIRGRAM

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FILE COPY

FROM - ICA/Washington

SUBJECT Farm Credit Panel for Iraq

REFERENCE (Check one before each address) TOICA A-140 and 153

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DATE SENT OCT 4, 1956

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Agric - Credit

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Toica A-140 reports discussions between Iraqi Government officials, USOM agricultural steff representatives and Dr. Virgil P. Lee. Credit Consultant and Dr. Webster Johnson of the Near East Foundation on the subject of agricultural credit and transmitted a suggested organization and agenda for a proposed panel of agricultural credit, which would be convened in Baghdad November 19, 1956 for a period of approximately one week.

ICA/W is in full accord with the proposal of USOM to participate in an agricultural credit panel with the Government of Iraq. The request for the services of Dr. Virgil Lee is approved. However, although the USOM ~~proposes~~ proposes that Dr. E. C. Johnson and Dr. Kenneth Parsons participate, ICA/W suggests that if additional U. S. representation is considered essential, Mr. Leonard Kerr, ICA/W Credit Specialist would be more appropriate. However, neither regional nor administrative funds are available to finance Kerr's travel from the United States to participate in the proposed panel, USOM funds would need to be provided and a PIO to cover the proposed travel would be required.

Owing to the fact that Dr. Lee is travelling under a rather tight schedule and the Washington representative could not arrive in time to assume the responsibility for the local arrangements, a USOM representative should appropriately be assigned to assume the responsibilities for local details.

OTHER AGENCY

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CHH
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AUTHORIZING OFFICER	DRAFTED BY	OFFICE	PHONE NO.	DATE
EMHolmgreen, Director	MMcCown:ac	S/FOOD	3446	9/28/56

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S/Food/Middaugh in draft
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DATE SENT 10-2-56

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FROM - WASHINGTON

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XX

Lack of adequately trained personnel is the most serious problem facing many countries in their efforts to develop an effective program of agricultural credit. This problem is being met in part by sending participants to the U. S. and elsewhere to study credit. At best, only a relatively small number of trained leaders can be produced this way, leaving the great bulk of the credit training needs - especially those of the subordinate positions - to be met at home.

As an aid to furthering the development of effective within-country credit training programs, ICA/W contracted with the Farm Credit Administration to write a Manual based on its many years of successful experience in agricultural credit work.

As stated in the Foreword, the Manual was prepared to set forth as clearly and simply as possible the basic principles of sound agricultural credit, which are fundamentally the same for all countries regardless of the stage of development of their agricultural credit systems. We hope this Manual will be helpful to those who have responsibility for developing and carrying out an effective program of personnel training. With a little ingenuity, any number of valuable lessons or programs can be prepared. Translated copies should be quite useful.

The Farm Credit Administration prepared, also, a series of charts and sketches for use as visual aids in teaching the basic principles of sound agricultural credit. This visual aids material has been assembled by FCA in an attractive folder entitled, "For A Brighter [redacted] Future". It will be noted that the sketches are principally of the

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E. N. Holmgren, Director	FLKerr:as	S/FOOD	3669	9/24/56

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C. Orrben, S/FOOD
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TOICA A 229 10/13/56

ICA 5-39 (7-55)

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Far East. For use elsewhere, they should be replaced with typically local scenes.

Three copies of the Manual and one copy of the visual aids material are attached.

Additional copies are available on request.

HOLLISTER

:ATTACHMENTS

1 copy Manual
" " & vis-aids Material

HAB 4/10

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FROM - BAGHDAD

SUBJECT - (A Farm Credit Panel for Iraq) Correction

REFERENCE - ~~ICATO-IA-12~~ TOICA A-140

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Agri/Farm Credit

Line three p 2. insert ID. 40,000,000 in place of ID. 200,000,000. The intention was to note an investment of ID. 200,000,000 each five years. The figure is rough. Actual investments in the prospective five year period will probably be considerably over ID. 300,000,000.

Ben H. Brown, Jr.
Director

mc

OTHER AGENCY

AUTHORIZING OFFICER	DRAFTED BY	OFFICE	PHONE NO.	DATE
MRMcCormick	CHHunter/ah	Agriculture	263	9/14/56

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Ag/Agr Credit

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Prior to the arrival at Baghdad of ICA/W Credit Consultant, Dr. Virgil P. Lee, there had been some discussion of the advisability of having a meeting of an Iraqi/US Agricultural Credit panel, either as a preliminary or as a follow-up, of the proposed Regional Workshop on Agricultural Credit being arranged by ICA/W and the R.T.O. That matter had been raised with McCown, Kerr and Parsons when they were here; was talked over with Drs. Lee and V. Webster Johnson on September 5th.

Frank Robinson

Subsequently Lee, Johnson, and Hammar discussed the proposal with Haidari, Dr. Hassan Thamer of the Iraq Cooperative Bank, Mr. Dabbagh of the Agricultural Bank and Mr. Nadhim Sarsam, Director General of Agriculture in the Ministry of Agriculture. The group requested Hammar to prepare a statement on organization and agenda for the meeting and to present tentative proposals for U.S. participation. Dabbagh and Thamer were asked to prepare a proposal on Iraqi official participation. The group agreed to meet Friday, September 7th, to consider a joint plan which was to be typed and reconsidered for final approval on Sunday, September 9th.

OTHER AGENCY

The tentative date for the panel meeting is the third week in November. Dr. Lee will still be in the region and Hammar should be able to be back from Hyderabad by then. Probably, with Haidari's drive, there will be no serious hitch in finalyzing the Iraqi arrangements for the meeting. The Mission thinks the final report and recommendations of the Panel could have far reaching effects for Iraq and Dr. Lee thinks the efforts of the Panel could be valuable as a preliminary to the International Credit Workshop. The Panel meetings would, in effect, supply the information that Dr. Lee proposes to request each country to bring to the Workshop.

Under Haidari's chairmanship (he made a brilliant chairman at recent Baghdad Pact Meetings) the final report of the panel is expected

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to be unusually good.

The Mission also thinks the panel discussions and final report may be extraordinarily significant. Iraq has now an I.D. 200,000,000 fund being invested each year, largely by government which already owns the bulk of the nation's land. Such huge government investment needs to be supplemented by an augmented flow of private investment for two reasons: first, to promote economic balance and second, to mitigate, as far as possible, the gradual encroachment of State Capitalism that is now being encouraged by the huge investments of government.

Private savings in Iraq are very weak and if private investment is to be stimulated, it must be through government financed banks. The country now has four of these: the Mortgage Bank, Industrial Bank, Agricultural Bank and Cooperative Bank. This latter is just starting and has not yet made a single loan. All four banks are weak, so that all have been joined into the panel discussion though the objective of the panel is the improvement of agricultural rather than general credit.

The U.S. proposals to be presented at the Friday, September 7th, meeting are attached, hereto, to give ICA/W and R.T.O. an early idea of what is being planned. When plans are matured, a next airgram will be forwarded.

The Mission would like most urgently to have the assistance of Dr. E. C. Johnson, of the Farm Credit Administration, and Professor Kenneth Parsons, of the University of Wisconsin, for this meeting, assuming plans for it are finalized. Both should arrive here by October 15th, if possible, to take a major part in preparation for the meeting.

Haidari has too many irons in the fire to do a good job on the details, and Hammar must prepare for and later attend the Hyderabad Conference, November 5th to 16th. He will not, therefore, be in Iraq during the critical three weeks prior to the meeting.

Also, the U.S. Delegation needs to be large to get the necessary drafting done during the final days of the panel's deliberation. Haidari's method at Baghdad Pact Meetings was to assign one Briton, or one American, on all drafting groups. These worked afternoons, nights and mornings to get copy ready for the sub-committee as a whole. It is anticipated that he will use exactly similar methods at the panel meeting. He has indicated such intentions.

Dr. Lee would like to be here for the meeting if ICA/W agrees, but Dr. V. Webster Johnson leaves for home about October 1st and will not be here.

The expense for Dr. E. C. Johnson must be borne out of regional funds since the Mission has no budget for the purpose. Perhaps Parsons could, possibly, come on funds provided earlier for Land Problems Training Course follow-up.

SUGGESTED ORGANIZATION AND AGENDA FOR THE PROPOSED PANEL ON AGRICULTURAL CREDIT IN IRAQ

I Plan The panel will meet in Baghdad, Iraq, at a meeting place arranged for by the Agricultural Bank and Section IV of the Ministry of Development.

II Time The meeting will be convened the 19th of November and end the evening of the 25th of November.

III Organization

1. The first four days of the panel will be given over to formal meetings at which papers will be presented and discussed. The purpose of these papers, and the subsequent discussions, will be to lay a background for later planning work of the panel.

2. The last three days of the panel will be given over to the preparation of a report on plans and programs for the improvement of Agricultural Credit in Iraq. Specific recommendations for such improvement will be made.

3. At the beginning of its work, the panel will designate a member or committee to insure the following:

(1) Interpreters (Arabic-English and English-Arabic) so that all panel members may understand fully the things that are said.

(2) Facilities (probably tape recording machines) so that a record of all discussion will be available after the meeting.

(3) Assembling of all papers presented at the meeting so that these may be mimeographed for later distribution.

(4) A secretary and stenographic assistance for the use of the panel during its last two days of report preparation.

(5) Preparation of a statement of purposes of the panel for distribution (to invitees.

IV Proposed Agenda

1. The Agricultural Bank - Its Organization, Policies and Programs.

2. The Cooperative Bank - Its Organization, Policies and Programs.

3. The Industrial Bank - Its Organization, Policies and Programs.

4. The Mortgage Bank - Its Organization, Policies and Programs.

5. Central Banking in Iraq in Relation to Agricultural Credit.

6. Types of Farm Loans in Iraq.

7. Classes of Farm Borrowers in Iraq.

8. The Problem of Interest Rates - Legal and Economic Aspects.

9. Foreclosure Law, Real Estate Markets and Property Management Problems.

10. Agricultural Marketing in Iraq in Relation to Credit.

11. U.S. Farm Credit Agencies - Their Structure and Policies.

BANQUET ADDRESS

I Agricultural Credit in Relationship to Economic Development in Iraq.

PROPOSED PANELS

I Agricultural Credit Organizations and Institutions.

II Administration of Agricultural Credit.

1. Personnel and Training.

2. Appraisal and Inspection of Security.

3. Credit Supervision.

4. Collections, Foreclosure and Property Management.

5. Loan Classification and Terms.

III Types and Purposes of Loans

1. Mortgage Loans.

2. Production Loans.

3. Equipment and Commodity Loans.

4. Loans to Agricultural Industries

5. Cooperative Loans

IV Major Agricultural Credit Problems.

1. Credit Morality.

2. Interest Charges

3. Private versus Government Financing for Farm Credit Institutions.

4. The Iraq Real Estate Market.

5. Loans in Relation to Land Tenure.

6. Pacing Credit Development.

V Financing Agriculture in the Development Program.

The above organization and agenda was discussed and approved September 8th by: Haidari, Thamer, Dabbaugh, Lee, Johnson (V. Webster), Robinson and Hammar.

MEMBERS OF THE U.S. DELEGATION THAT WILL BE REQUESTED

BY USOM TO ATTEND THE PANEL MEETING

1. Dr. Virgil Lee, Consultant on Agricultural Credit, ICA/W.

2. Dr. Ed. C. Johnson, U.S. Farm Credit Administration, Official and ICA/W Consultant on Agricultural Credit.

3. Dr. Kenneth Parsons, Professor of Agricultural Economics, University of Wisconsin.

4. Mr. Gordon Loveless, U.S. Agricultural Attache to Iraq.

5. Mr. Frank Robinson, Credit Specialist, USOM.

6. Dr. Conrad H. Hammar, Chief Agriculturist, USOM.

BHB

Ben H. Brown, Jr.
Director

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Ag / Credit

FROM - BAGHDAD

SUBJECT - Copy of Airgram - A Farm Credit Panel for Iraq - For Dr. Lee.

REFERENCE - (Check one before each address)

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Transmitted herewith are two copies of TOICA A-140.

For Dr. Virgil P. Lee.

Ben H. Brown, Jr.
Director

mc

Encs.- 2

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MRMcCormick	CHHannah	Agriculture	263	9/14/56

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TRANSLATION

Iraq Government
Ministry of Agriculture
Technical Affairs Branch

No.9097

Date Sept.1, 1956

Ministerial Order

A committee consisting of the following persons shall be formed for the purpose of studying the possibility of applying the system of supervised credit and submitting suggestions which the committee deems suitable for the execution of the project in the most useful manner.

Committee

1) Sayed Abdul Jabbar Al Bakir - Acting Director of the Ministry of Agriculture's Bureau

2) Sayed Nadhem Sarsam - Acting Director - General of Agriculture

3) Sayed Darwish Al Haidari - Director of the Fourth Technical Committee at the Ministry of Development.

4) Dr. Hammar - Chief of Agriculture Division, USOM

Ministry of Agriculture
(signed)

Copy to: Ministry of Finance - Ref. its letter No.7175 dated August 5, 1956

Ministry of Development

Directorage General of Agriculture - Ref. its letter No.11646 dated August 16, 1956.

Directorage General of Agricultural Bank - Ref. Ministry of Finance's letter referred to above.

Sayed Abdul Jabbar Al Bakir)
" Darwish al Haidari) For information. We will inform
' Nadhim Sarsam) you of the place and date of the
Dr. Hammar) committee's meeting in a following letter.

المعهد الزراعي
وزارة الزراعة
قسم الامور الشخصية

العدد / ـــــ
التاريخ / ٨ / ١٩٥٠

امر وزاري

نول لمنتدبي الدرجة الثانية اسماؤهم لغرض القيام بدراسة امكانية تعميم طريقة التسليف تحت الاشراف وفي الاتجاهات التي تراها ملائمة لتنفيذ المشروع على الوجه الاكمل.

اللجنة

١ ـ السيد عبد الجبار البكر — وكيل مدير عموم وزارة الزراعة
٢ ـ السيد ناظم توفيق — مدير الزراعة العامة
٣ ـ السيد درويش الحيدري — مدير التجربة الفنية الزراعية في وزارة الاعمار
٤ ـ المترجم — مدير قسم الزراعة بادارة النقطة الرابعة

مدير الزراعة

صورة الى /ـ
وزارة المالية ـ اشارة لكتابنا المرقم ٢١٧٥ والمؤرخ ٥/٨/١٩٥٠
وزارة الاعمار /
مديرية الزراعة العامة / اشارة لكتابنا المرقم ١٢٦٤٦ والمؤرخ ١٦/٨/١٩٥٠
مدير قسم الزراعة العامة ـ ادارة النقطة الرابعة ـ وزارة المالية للعلم

السيد عبد الجبار البكر
" درويش الحيدري
" ناظم توفيق المترجم

للعلم وتسلمكم بطاقات الاجور بمحل اعضاء اللجنة بكتاب الاحق.

ق ٣٠/٥٠

MEMO FOR FILES
cc/Mr. Frank Robinson

August 8, 1956

FILE COPY

Ag/Credit

SUBJECT:

Preparation for Regional Credit Conference

Mr. Robinson, in a letter to me, recommended three Iraqis to go to the conference, including:

Saleh Haider, Director General of the Budget, Ministry of Finance,
Mr. Nahzat, Director General of Technical Services, Ministry of Finance,
Mr. Nadhim Sarsam, Director General in the Ministry of Agriculture.

For my own part, I recommended that the men to go should include:

Abdul Dabbagh, Director General of the Agricultural Bank,
Dr. Darwish Haidari, Director General of the Fourth Technical Section of the Development Board,
Dr. Hassan Thamer of the Fourth Technical Section, but nominated for Director General of the newly established Cooperative Bank.

After talking the matter over, Robinson and I agreed that we should go no further than to recommend that the selection should be made from among the following people:

Dabbagh,	Thamer,
Haidari,	Nahzat,
Sarsam,	Hassan Mohammed Ali.

Haidari is extremely busy, both with his own work and with the work of the [illegible] act, and may, in fact, be leaving Iraq for a regional job with F. A. O. Probably, therefore, he cannot go.

Robinson and I considered together, also, the question of preparation of reports, etc., for the conference, coming the the following conclusions:

I Paragraph 3 a.

(1) With respect to the basic airgram, ICATO CIRCULAR A-42, Paragraph 4, Robinson to prepare a report on the Hirl Hirf settlement project and the credit needs, services, etc., relevant thereto,

(2) Hammar to prepare a statement of the general types of farming areas in Iraq and with an analysis of credit needs and problems incident thereto.

II Paragraph 4

4 a. Sarsam, Haidari and Hammar to prepare requested statement.

4. b. Khames, Robinson and Hammar to prepare statement.

4 c. Thamer and Robinson to prepare statement.

Note is made that these statements need to be ready to be sent to the participating countries and ICA/W by October 1.

It was agreed, also, that Hammar will call Dabbagh, and possible Haidari, to arrange a meeting at which matters relating to the conference may be discussed and agreed upon. The date for such meeting, tentatively agreed with Robinson, was Saturday, August 11.

AIRGRAM

INTERNATIONAL COOPERATION ADMINISTRATION

AIRGRAM

SECURITY CLASSIFICATION
UNCLASSIFIED

FILE COPY

PAGE ___ PAGES OF

DATE SENT 8-16-56

DATE REC'D. AUG 27 REC'D

Ag / Credit

FROM - WASHINGTON

SUBJECT - Report on Iran Credit Program

REFERENCE - (Check one before each address)

DISTRIBUTION	ACTION	INFO	ADDRESS AND SERIAL NUMBER
3 FOOD AFR GTI MSR NE NEF O&M OFE 15 SA	x		ICATO CIRCULAR XA- ~~155x~~ 157

Attached for your information is a copy of a report by Ivan E. Johnson, Cooperative Credit Specialist, on his two-year tour of duty in Iran. We invite ~~YOUR~~ your attention particularly to the discussion of the training program.

HOLLISTER

Enclosure

CABLE ROOM: Please send as CIRCULAR XA 157 to the following Missions.

180p

7	Athens	5	Bangkok
6	Amman	6	Djakarta
7	Ankara	6	Saigon
6	Beirut	4	Phnom Penh
8	Tel Aviv	6	Taipei
6	Baghdad	15	~~Seoul~~ CINCREP-Seoul
8	Cairo	10	Manila
3	Addis Ababa		~~Tokyo~~
5	Tripoli		
8	Karachi	0	CINCUNC-TOKYO
5	Kabul		
	~~New Delhi~~		
8	New Delhi		

OTHER AGENCY

CIA

AUTHORIZING OFFICER	DRAFTED BY	OFFICE	PHONE NO.	DATE
Director E. M. Holmgreen, ~~Director~~	DReynolds:as	S/FOOD	2046	8/10/56

ICA AND OTHER CLEARANCES

M.McCown
C.Orrben
F.L.Kerr
E.D.White

SECURITY CLASSIFICATION
UNCLASSIFIED

ICA AND OTHER CLEARANCES

ICA 5-39 (7-55)

(Do not type below this line)

FILE COPY

Ag/Credit

August 7, 1956

Mr. Abdul Wahab Mustafa al-Dabbagh
Director General
Agriculture Bank
Baghdad, Iraq

Dear Mr. Dabbagh:

I am enclosing, herewith, a copy of a recent circular airgram from the International Cooperation Administration, Washington, concerning an "Agricultural Credit Workshop," scheduled tentatively for November 19-30, at Athens, Greece.

You will note, from Paragraph 6 of the circular, that from three to five persons may be invited to the conference from Iraq. I am glad to say, also, that the International Cooperation Administration will pay per diem for the participants while they are in Greece so that the cost to the Iraq Government for sending the participants will be pretty largely for transportation only. I sincerely hope that, through the good efforts of yourself and the Board of the Bank, not less than three, and preferably five, people may be nominated to go from Iraq. This country, with its Agricultural Bank, Mortgage Bank, Industrial Bank and the recently established Cooperative Bank, is deeply engaged in providing credit and, as you know, I think that credit can play a most extraordinarily important part in the development of the country. If I may be allowed to suggest names, I should say that yourself, Dr. Darwish Haidari and Dr. Hassan Thamer should certainly be among the number selected to attend.

I want to call your attention, also, to the fact that the United States Operations Mission to Iraq has been planning with the Ministry of Agriculture a conference on "Agricultural Programing and Administration." I have discussed the plans for that conference, not only with officials of the Ministry of Agriculture but with Dr. Haidari, and he thinks that the Agricultural Bank should certainly have a part in that conference. I presume that this conference on Agricultural Programing and Administration will be held some time during the period January to March, 1957. If that is the case, it might be possible to program the topics on agricultural credit for that later conference in a manner so as to have the discussions at that time constitute a follow-up of the discussions at the Athens conference. We might, indeed, schedule a very special session on Agricultural Credit in Iraq, inviting some of the major figures in the field of finance in Iraq to participate. I think, for instance,

that we might wish to invite to such a special session such men like Mr. Mohammed Ali Chalabi of the Rafidain Bank, Dr. Saleh Haider of the Ministry of Finance, Dr. Darwish Haidari of the Ministry of Development, Dr. Hassan Thamer who will apparently be Director General of the Cooperative Bank, Mr. Nadhim Sarsam of the Ministry of Agriculture, as well as the major officials and Board Members of your own bank. You will have others to suggest.

If you think well of that proposal, I might find it possible to invite to the conference some major official from one of the U. S. agricultural credit agencies to come to Iraq to contribute what he can to the conference and particularly to the special session on agricultural credit.

Very truly yours,

Conrad H. Hammar
Chief, Agricultural Division

CHH/ww

cc/Dr. Haidari

Enc-1

FILE COPY

Ministry of Finance

Translation

No: 7175
Date: August 5, 1956

Agric - Credit

To :

Dr. Henry Wiens,
Director of USOM
American Embassy,
Baghdad,

Subject : Agricultural Supervised Credit

With reference to the oral conversation that took place between us at my office on the subject of the Agricultural Supervised Credit, you will no doubt remember that I pointed out to you that the Agricultural Bank is bound by legal rules and regulations, and that the improvement of agriculture and its methods and the raising of the technical standard of the farmer are the functions of the Ministry of Agriculture. We asked you to contact the Ministry of Agriculture with a view to studying the project. And in case it confirms the project we will take up the matter with the Agricultural Bank regarding the credits, and the Agricultural Bank will ask the Ministry of Agriculture for a guarantee to repay the credits on maturity. It will be observed from this that the function of the Bank is limited to giving credits only; whereas the function of the Ministry of Agriculture is limited to sanctioning the project and putting it into execution after setting up a sound agricultural plan.

Khalil Kenna

Minister of Finance

Copy to:

Ministry of Agriculture

Agricultural Bank

Head Supervisor of Technical Investigations.

العـدد ٧١١٥

التاريخ ٢٠/٨/١٩٥٦

٥

العراق

وزارة المالية

دية المباحث الفنيـة

بغـداد

الى :-

الدكتور هنري وينس

مدير المساعدات الفنية الاميركية

السفارة الاميركية - بغداد

التسليف الزراعـي تحت الاشراف

بالاشارة الى المحادثة الشفهية التي تمت بيني وبينكم في مكتبي حول موضوع التسليف الزراعي تحت الاشراف . تذكرون ولا شك انني ابديت لكم ان المصرف الزراعي مقيد باحكـام قانونـه وان تحسين الزراعة واساليبها ورفع مستوى الفلاح المهني من مهام وزارة الزراعـة وطلبنا اليكم مفاتحة وزارة الزراعة لتقوم بدرس المشروع فاذا ما ايدته تقوم بمفاتحة المصـرف الزراعي بشأن السلف وبوسع المصرف الزراعي ان يطلب الى وزارة الزراعة ضمان افادة السلـف عند استحقاقها ومن هذا يتضح ان مهمة المصرف تنحصر في التسليف فقط بينما مهمة وزارة الزراعة تنحصر في اقرار المشروع وتنفيذه بعد وضع خطة زراعية سليمة .

وزير الماليـة

نسخة منه الى :-

وزارة الزراعـة

المصرف الزراعـي

رئاسة ملاحظي المباحث الفنية .

TELEGRAM

OUTGOING

Foreign Service of the United States of America

FILE COPY

Agric - Credit

Charge: | UNCLASSIFIED (Classification) | Control:

Date:

Sent Washington TOICA 44

TOICA A-26

FOR RURE FROM McCORMICK

Recommend NFCR 06-11-001, 006; 12-005, 011; 13-002, 005, 007; 14-009, 041; 15-042; 19-038, 050; 99-032, 035 basis no major changes from FY 56. Sirl Sirf submitted as 81-051 recode 12 and NFCR. Await FPA 14-004, DAN/BON, not returning no replacement nos.

WISH

MKMcCormick

Program/McComm/ky/7/25/56 - 0810

Clearances:

KMcCormick
CHamner (by phone)
Mocher (by phone)
Block (by phone)

UNCLASSIFIED

Classification

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FORM FS-413P
3-1-55

"Single-address messages to the Department can be diverted to pouch (appropriate to the classification of the message) without retyping. Type "By Pouch" after the address, omit the serial number, and pouch in envelope marked "For DC/T".

TELEGRAM

INCOMING

Foreign Service of the United States of America

FILE COPY

UNCLASSIFIED
Classification

Agric-Credit.

Control: 221

Recd: July 18, 1956

JUL 18 REC'D

SENT BEIRUT USOM 9 RPTD INFO BAGHDAD USOM 4 FROM TEHRAN, JULY 17

Lassiter from McCown.

Request USOM extend invitation Webster Johnson meet McCown and Kerr at Baghdad July 19-23 discuss credit workshop.

GREGORY

Action
Due Date
Action Taken
Signature:

ebs/18/1055

UNCLASSIFIED

Classification

POST ACTION COPY

UNLESS "UNCLASSIFIED" REPRODUCTION FROM THIS COPY IS NOT AUTHORIZED

FORM FS-412
3-1-55

TELEGRAM

Foreign Service of the United States of America

OUTGOING

FILE COPY Agric - Credit

Charge: ~~UNCLASSIFIED~~ Classification Control:

Date:

Sent Amembassy Beirut USOM

FAO

XXXXXX

A discussion of the proposed Farm Credit Workshop with PARSONS McCONE, KERR ~~XXXXX~~ and others is scheduled here for July 19 to 21.

V. WEBSTER JOHNSON Near East Foundation would have much to contribute and is urged to attend.

HERTER

Agriculture/Conrad H. Hamar/ws/July 14, 1956 - 0011

~~UNCLASSIFIED~~ Classification

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FORM FS-413P
9-1-55

"Single-address messages to the Department can be diverted to pouch (appropriate to the classification of the message) without retyping. Type "By Pouch" after the address, omit the serial number, and pouch in envelope marked "For DC/T".

AIRGRAM

INTERNATIONAL COOPERATION ADMINISTRATION

AIRGRAM

SECURITY CLASSIFICATION
UNCLASSIFIED

FILE COPY

PAGE 1 OF 1 PAGES

DATE SENT
May 26, 1956

DATE REC'D.
5/31/56

FROM — ICA/Washington

SUBJECT — Kerr visit to Iraq

REFERENCE — TOICA A-719
(Check one below each address)

DISTRIBUTION	ACTION	INFO	ADDRESS AND SERIAL NUMBER
			BAGHDAD PRIORITY ICATO A 560
			Repeat to MANILA ICATO A 1383

Agree x Vinton

Kerr is now in the Far East, and is being informed of your invitation to stop in Iraq enroute to Washington. In his absence, arrangements will be made for Director General Haidari to visit with other members of ICA/W staff and credit agencies concerning credit problems and program in Iraq.

We appreciated the two documents relation to proposed reorganization of the credit project. These are being forwarded to Mr. Kerr for his background prior to his visit to Iraq.

HOLLISTER

OTHER AGENCY

AUTHORIZING OFFICER	DRAFTED BY	OFFICE	PHONE NO.	DATE
E. E. Holmgreen, Director S/FOD	D. D. Reynolds:mbm	S/FOD	2046	5/25/56

ICA AND OTHER CLEARANCES	SECURITY CLASSIFICATION	ICA AND OTHER CLEARANCES
E. D. White, S/FOD	UNCLASSIFIED	

cc: F. L. Kerr

ICA 5-89 (7-55) (DO NOT TYPE BELOW THIS LINE)

Fld
Cy. Credit.

AMENDMENT No. I

To The Internal Regulation of The Agricultural Bank

Article I

Under the powers conferred on its Board of Directors in Article 5 of its Internal Regulations, it is hereby provided that the Agricultural Bank may enter into arrangements with other agencies of the government of Iraq to provide to land cultivators loans under supervision. The arrangements for and the credit supplied cultivators under the terms of this Amendment to the Bank's Internal Regulation shall be called Supervised Farm Credit.

Article II

Other agencies of the Iraq government wishing to offer loans under supervision to cultivators may apply to the Agricultural Bank for funds needed for the making of such loans. Provided that applications to the Bank for such purpose shall contain the following information:-

1. Name and major address of the agency proposed to be established for the purpose.

2. The area or areas in which the agency proposes to make supervised farm loans.

3. The nature and extent of the supervision to be provided the borrowers.

4. The procedures the agency proposes to use in the making of supervised farm loans with respect to:-

   (1) Application for loans
   (2) Eligibility of borrowers
   (3) Amounts and terms of loans
   (4) Purposes of loans
   (5) Loan security requirements
   (6) Appraisal of security
   (7) Interest rates and other loan charges
   (8) Repayment and collection policies
   (9) Policies with respect to defaults on loan repayments.

Article III

The establishment of a guaranty fund to protect the Bank against loss of principal or interest on supervised loans to cultivators shall be required of all agencies offering such loans with Bank's funds. Such guaranty fund shall be established in the following manner:

1. The Bank and the governmental agency proposing to offer supervised loans to cultivators shall agree on the sum, in Iraqi dinars, that shall be made available by the Bank to the agency for the purpose of making supervised loans.

2. The Bank shall notify the agency of the sum in Iraqi dinars that it will require deposited in the guaranty fund and the schedule on which such deposits shall be made. Provided that the sum to be deposited in the guaranty fund shall not be more than 10 per cent nor less than 1 per cent of the loan fund to be made available to the agency by the Bank.

3. Provided also, that the Bank shall require that the guaranty fund, established pursuant to the provisions of this Article, shall be placed under the control of the Minister of Finance.

Article IV

In cases of default by borrowers on payments of interest or principal which threaten the Bank with a loss on the funds it has provided for supervised farm loans, the Bank may request, from the Minister of Finance, suitable payments from the guaranty fund established as provided in Article III of this Amendment. Provided also that disputes, between the Bank and the Agency making supervised farm loans, over the amount of the losses sustained because of defaults of interest and principal payments, shall be settled by order of the Minister of Finance whose orders shall be final.

Article V

When the Bank approves the request of a governmental agency to offer supervised loans to cultivators it will transmit to such agency a written statement of such approval together with a notification of the amount of loan funds it is making available and of other conditions relative to the arrangement that is being entered into by the Band and the Agency. Provided also that for cause the

Bank may withdraw from the Agency the permission to grant supervised loans but only after giving not less than 30 days notice of its intention to withdraw such permission.

Provided further, that the Bank shall lay down specific rules on the security that shall be required on all supervised loans and shall require that loans to cultivators holding their land under Lamas tenure shall have the written approval of appropriate officials of the Ministry of Interior.

Article VI

To any governmental agency granted permission to offer supervised farm credit using Bank funds, the Bank shall offer its assistance for the maintenance of all accounting on loans made. Provided also, that the Bank shall provide a secure repository for all legal documents pertaining to such loans and provided further, that certified officers of the lending agency shall, at all times, be permitted access to the Bank's accounts relating to such loans and also permitted under suitable security measures to inspect legal documents relating to such loans that are in the Bank's repository for safe-keeping.

...ooo000ooo...

CH:sumarina

AIRGRAM

INTERNATIONAL COOPERATION ADMINISTRATION

CLASSIFICATION: UNCLASSIFIED

COPY

AIRGRAM

DATE OF PAPER: RR 1/20/56

DATE RECD: 2-2-56

FROM - ICA/Washington

SUBJECT - Information on Costs of Farm Loans

REFERENCE - TOICA A-372
(Check one below each address)

DISTRIBUTION	ACTION	INFO	ADDRESS AND SERIAL NUMBER
			BAGHDAD ICATO A- 304

The Farmers Home Administration and Farm Credit Administration have been asked to supply the information requested by Mission on supervised credit. It will be forwarded as soon as received.

The gross expense in making supervised loans is always high but the net cost to the Government may well be less than on non-supervised loans due to difference in losses. The principal value of supervised credit, however, is in the education and training, particularly as they relate to the wise use of credit, the development of a definite repayment plan on each loan, the stress on improved farm practices, the use of borrower's own resources as basis for loans, the importance of borrower's maintaining a good credit rating, et cetera. Other creditors, also, indirectly learn good lessons from such lending.

An interest rate of only 3 percent without farm access to be considerably low, even though absorption by the Government of much of the total cost of making supervised loans can be justified in the interest of education and training. Normally a rate of 5 or 6 percent would appear to be low for a country where total cost of borrowed money is much higher.

A study of comparative costs of, and returns on, supervised and non-supervised loans as suggested in reference airgram would no doubt reveal some interesting facts in support of the supervised loan program.

OPTIONAL ACTION

ED ALKSNER

CLEARANCES OF ORIGIN: E. N. Hollingsworth, Director, S/EVOD | F. L. Kavanaugh | S/EVOD

CLEARANCES OF ACTION OFFICES: McCann, S/EVOD; EDWhite, S/EVOD

CLASSIFICATION: UNCLASSIFIED

TELEGRAM NO. 3660 | DATE 2/23/56

DRAFTING OFFICE AND TELEPHONE NO.

DS-323 (1-54)

DEPARTMENT OF STATE

Agr Credit

Translation

THE IRAQI AGRICULTURAL BANK

FILE COPY

No. 22834
Dec. 17, 1955

The Ministry of Finance

Subject: Training in Agricultural Loan Functions

Reference your letter No.185 dated January 6, 1955

Sayed Saba Khammis, Head of the Loans Section on immovable property, who was sent in the beginning of February 1955 to the USA at the expense of Point IV for training in Agricultural Loans Functions, spent about ten months in America adopting in his training a plan prepared by the American Ministry of Agriculture in collaboration with the Directorate of I.C.A. His training plan consisted of 3 parts:

(1) A theoretical study as a special student at the Agricultural College of Illinois University of the various Agricultural Loans Institutions and the methods adopted by them in granting loans to farmers.

(2) Practical application of the theoretical studies by working with government and semi-government loan-granting institutions for short periods ranging between 1 week and 2.

(3) Visiting agricultural fields and local institutions which undertake the dissemination of agricultural knowledge amongst farmers.

Whilst thanking the American Ministry of Agriculture for tending our trainee and organizing his training plan in a manner which enabled him to be "an fait" with the various activities of the Agricultural Loans Institutions, we wish your respected Ministry to express our sincerest thanks and appreciation to the USOM in Baghdad for making this valuable opportunity possible for our trainee, and hope at the same time that it will continue to render these valuable aids.

Abdul Wahab Al-Dabbaugh
Director General

cc. The USOM (Point IV) for information.

Translation

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Abdul Wahab Al-Dabbaugh
Director General

cc. The USOM (Point IV) for information.

العنوان البرقي : المصرف
رقم التلفون .....

المصرف الزراعي العراقي

المركز العام ـ بغداد
شعبة .....

التاريخ ٢٨/٢/٦٤
العدد ٥٥/١٠/١٧

الى /
وزارة المالية

م/ التدريب على اعمال التسليف الزراعي .

اشارة الى كتابكم المرقم ٨٥١ والمؤرخ في ٦/١/١٩٥٥ .

اوفد السيد سمير خويس رئيس قسم التسليف على الاموال غير المنقولة في اوائل شهر شباط ١٩٥٥ الى الولايات المتحدة الامريكية على نفقة ادارة النقطة الرابعة الامريكية للتدريب على اعمال التسليف الزراعي. هناك قضى ثلاثة عشر اسبوعا اشهر في البلاد الامريكية متبعا في تدريبه منهجا وضعته وزارة الزراعة الامريكية بالاشتراك مع مديرية ادارة التعاون العالمي (ICA) وكان منهج تدريبه مؤلفا من ثلاثة اقسام :

١/ دراسة نظرية كطالب خاص في الكلية الزراعية في جامعة (الينوى) لمختلف مؤسسات التسليف الزراعي والطرق التي تتبعها في تسليف المزارعين .

٢/ التطبيق العملي للدراسة النظرية بالاشتغال مع مؤسسات التسليف الحكومية وشبه الحكومية لفترات قصيرة تتراوح بين الاسبوع والاسبوعين .

٣/ مشاهدة الحقول الزراعية والمؤسسات المحلية التي تعمل لنشر البحوث الثقافية الزراعية بين المزارعين .

ونحن اذ نشكر وزارة الزراعة الامريكية على رعايتها موفدنا وتنظيم منهج تدريبه بشكل مكنه من الالمام بمختلف اوجه نشاط مؤسسات التسليف الزراعي نود ان نرجو وزارتكم الموقرة التعرب عن بالغ شكرنا وتقديرنا لادارة النقطة الرابعة الامريكية ببغداد لاتاحتها هذه الفرصة الثمينة لموفدنا ونأمل في الوقت نفسه ان تستمر في هذه المساعدات القيمة .

المدير العام
عبد الوهاب الدباغ

صورة منه الى /
ادارة التعاون العالمي / النقطة الرابعة / للمعلومات

زكي ١٢/١٥

AIRGRAM

INTERNATIONAL COOPERATION ADMINISTRATION
~~FOREIGN OPERATIONS~~

AIRGRAM

SECURITY CLASSIFICATION
UNCLASSIFIED

FILE COPY

PAGE 1 OF 3 PAGES

DATE SENT 12/13/55

DATE REC'D.

FROM - Baghdad

SUBJECT - Farm Credit in Iraq - Country Statement

REFERENCE - ICATO Circ NA 33, Oct. 8
(Check one before each address)

DISTRIBUTION	ACTION	INFO	ADDRESS AND SERIAL NUMBER
	x		WASHINGTON TOICA A-309

Office Copy

The following statement is transmitted in reply to request in paragraph 10 of reference circular airgram.

A. Adequacy of credit.

(1) Volume.

Commercial Banks exist only in the larger cities of Iraq and seldom lend much to bona fide farmers. In the smaller communities credit is supplied chiefly by merchants (grain and wool buyers, etc.) and supplied in limited amounts at high rates of interest. Aside from individuals the only source of mortgage credit is from the Agricultural Bank with an actual capitalization of ID 2,250,000 (ID 3,000,000 authorized). This Bank is a governmental bank and is not authorized to increase its lending power by the sale of debentures based on its mortgages. Supply of credit to farmers is generally inadequate to support a rapid expansion of farming in the country and is furthermore highly inflexible and can be materially increased only by action of Parliament.

OTHER AGENCY

(2) Terms at the Agricultural Bank are adapted and generous. Commercial and merchant credit is available only on the ~~hard~~ harshest of terms.

(3) Interest rates. The Agricultural Bank charges 5 per cent on its regular loans and 3 per cent for its supervised credit loans. Commercial rates run from 10 to 40 per cent but are in fact charged as a markup for commodities purchased or in other ways hiding their character as interest charges.

AUTHORIZING OFFICER	DRAFTED BY	OFFICE	PHONE NO.	DATE
	CHHammar:bh	Agric.		12/6/55

FOA AND OTHER CLEARANCES

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FOA-51A (5-54) W/O HECTO

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B. Government's attitude toward credit problem.

Government is sympathetic in a fumbling sort of way. Parliament apparently fails to get the comprehensive analyses of credit needs and organizational and administrative problems of farm credit. There is no intensive independent investigation and research into credit needs of the country that parliament and administrative officials may use for guidance in establishing policies. Above all things such analysis is needed as a preliminary to changed and more constructive attitudes toward farm credit on the part of government.

C. Proposed steps.

(1) One young executive (Khamees) has just returned from the U.S. from a year's study of U.S. credit institutions and their operations. He will be of some assistance in getting new ideas introduced and wishes to broaden the Agricultural Bank's role in providing production credit--a field now badly neglected.

(2) USOM/Iraq has made some progress in getting Supervised Credit under way and expects a considerable broadening of this type of work both in connection with the Miri Sirf Land Development Program Settlers and with small farmers generally.

(3) An effort needs to be made to revise and strengthen the collection procedures of the Agricultural Bank. From 20 to 30 per cent of its mortgage loans are commonly delinquent and one year the percentage delinquent rose to 43. The Bank is under severe difficulties in this connection because of its reluctance to foreclose delinquent loans. The land market in the country is almost completely undeveloped and foreclosure, therefore, often means that the properties must remain in the Bank's hands for long periods before they can be disposed of.

(4) Appraisal policies of the Bank need virtually complete overhauling. Appraisal procedures now amount to little more than a formal listing of assets and a school or short course for appraisers is very badly needed indeed.

(5) As soon as possible the Bank needs to request permission from Parliament to finance itself in the open money market by the sale of debenture bonds based on its mortgages (with a possible government guarantee). There are getting to be some savings now in Iraq and some of these would be used to purchase such bonds if they were made available on the market. If as

appears probable the demand for farm mortgage credit greatly increases in the future the Bank simply must have greater flexibility in its financing.

(6) We understand that a bill is being sponsored by the Minister of Economics and is to be presented to the Iraq Cabinet which would provide for the establishment of an agricultural credit bank. Naturally if such a bank is established and gets into operation, it would be desirable to make it as useful as possible for farmers. In principle, we are strongly of the view that a private banking system is preferable to a wholly government owned farm credit system which is always susceptible to political pressures. The present administration of the Government-owned agricultural bank makes frequent reference to this disagreeable fact and is making every effort to eliminate such unwanted influence. In considering steps to be taken immediately, however, the fact must be admitted that there are no successful agricultural cooperatives in the country at present and that this proposed cooperative bank will not function effectively for some time to come. We believe, therefore, that steps to help at p esent must be directly toward the existing agricultural bank, whose manager is keenly aware of his bank's shortcomings.

D. Help needed.

(1) Great need now is for a high level consultant to confer with top Bank officials and Minister of Finance to provide these with information on what a modern system of farm credit looks like. He would need to take up with these officials their problems of (a) collections, (b) foreclosures, (c) appraisal and (d) financing and suggest to them needed legislative and administrative reforms. Right now USOM/Iraq has no request from the Bank for such a consultant but that request is expected shortly.

(2) Training facilities in the country are poor but improving. Abu Ghraib Agricultural College has now for the first time an agricultural economist on its staff. It still has no course in agricultural credit, however, The country is sending about 20 students to U.S. agricultural colleges each year but only one or two of these specialize in agricultural economics. The two agricultural credit specialists on the USOM/Iraq staff have counterparts they are training and one of these counterparts is at present not too far from prepared to take over as credit supervisor for an area. Training facilities are, in brief, still inadequate but not entirely lacking.

(3) Outside financial help.

None is needed.

H W.

Henry Wiens
Director

AIRGRAM

FOREIGN OPERATIONS ADMINISTRATION

AIRGRAM

INTERNATIONAL COOPERATION

SECURITY CLASSIFICATION
UNCLASSIFIED

FILE COPY

PAGE 1 OF 5 PAGES

DATE SENT 10/8/55

DATE REC'D. OCT 14 REC'D

FROM - ICA/Washington

SUBJECT - Information on, and Suggested Guides for, Developing Agricultural Credit Programs

REFERENCE - (Check one before each address)

FILE COPY

DISTRIBUTION	ACTION	INFO	ADDRESS AND SERIAL NUMBER
2			ICATO CIRCULAR X-A 223
FOOD			~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~ ICATO CIRCULAR NA 33
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As a result of queries from various USOM's concerning agricultural credit programs and in an attempt to be as helpful as possible, we have prepared the following statement of information and suggestions.

In cooperation offered to participating countries, ICA is prepared to give increased emphasis to efforts developing effective agricultural credit systems in countries where such attention would advance U.S. objectives, with due consideration to the priority that should be accorded attention to this problem in relation to other needs and in competition for available personnel and funds.

I. Role of Agricultural Credit -- Agriculture the world over has advanced--and can advance--only about as fast as effective services are devised to finance efficient production and marketing of its products. The success of extension programs to introduce better crops and livestock, and production practices, for example, hinge upon availability of credit at reasonable cost to buy seed and breeding stock, equipment, fertilizer and agricultural chemicals. In addition, improved tenure also requires credit. Development of effective credit systems for those and other needs is one of the more vital and enduring contributions to a country's rural welfare and capacity for self-help.

II. ICA Policy -- ICA will continue to offer cooperation, upon request, in developing effective agricultural credit systems including advice on sources of funds which appear most appropriate for establishing or increasing credit systems. In reviewing requests for such projects, Missions should assess needs for, and availability of, credit to finance major projects in cooperative country agricultural programs and in over-all country agricultural development. Missions also are urged to weigh carefully possibilities of handling requests for aid for materials and equipment on a loan basis to the country with internal distribution geared to a credit program.

AUTHORIZING OFFICER	DRAFTED BY	OFFICE	PHONE NO.	DATE
E. N. Holmgreen, Director S/FOOD	F.L.Kerr:D.D.Reynolds:mbm	S/FOOD	3668	9/28/55

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Rollin S. Atwood, O/LA

FOA AND OTHER CLEARANCES
Cleared in draft by:
W.F.Dickson, S/FOOD
K. Hinebaugh, S/FOOD
W.S.Middaugh, S/FOOD
A. R. Himbert, S/FOOD
~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX~~

(Do not type below this line)

FOA-5-39 (1-55)
(FORMERLY FOA-51)

III. Types of Credit Systems and Programs -- Regardless of the type of system developed, a successful agricultural credit program requires strong leadership and support by the Government. As to the particular type of system, it is recommended that first consideration in any cooperative project be given to building on existing credit agencies. Major approaches include:

1. Government -- In some countries, the government (through Government controlled banks or otherwise) will need to be the principal lender until other credit institutions assume leadership.

2. Commercial Banks -- Many countries have commercial banks which can extend increased credit services to farmers.

3. Cooperatives -- A system of cooperatives is an effective means to finance in particular small and medium-sized farm operations where loans are too small and scattered for profitable commercial administration. Cooperative societies also can furnish marketing services which are usually urgently needed by small producers.

Governments can encourage effective credit services by commercial and cooperative institutions through such devices as special privileges in collection of debts; guarantee or insurance against losses on loans made in the public interest and beyond the institution's normal lending policies; grants or loans of needed capital; and assurance of non-interference with the institution's autonomy or their legal rights of operation.

IV. Guidance to Borrowers -- Any credit program should be developed parallel to, and in close working cooperation with, an extension program to provide the borrowers guidance in developing a sound farm plan and on sound agricultural practices. Beyond that, a large percentage of farmers in many cooperating countries need production loans and direct guidance in planning and carrying out sound farm programs and in the use of credit. Supervision is provided in various ways: (a) by representatives of government or commercial banks, (b) by members of cooperatives, (c) by agencies similar to the U.S. Farmers Home Administration. Since supervised credit is expensive and the benefits are in the public interest, the Government might bear some of the cost of supervision carried on at Government request by cooperatives, banks or other credit institutions.

V. Criteria in Developing Program -- While no one pattern will fit all countries it is recommended that consideration be given to the following factors in developing any credit program:

1. Major projects -- First and priority attention should be given to developing adequate credit support for major projects in a country's agricultural programs. This often will mean, in turn, initiating a credit program for a single major commodity. This presumes that ICA cooperation will be directed toward developments that are sound in

terms of (a) supplies needed to maintain increasing domestic consumption and normal exports (or if for increased exports, sound in terms of world supplies and market requirements); and (b) desirable development and adjustments in a country's agricultural program.

2. Coordinated approaches -- Credit programs for major projects should be closely coordinated with extension and marketing services for such projects.

3. Area demonstrations -- Often, an effective way to initiate expanded credit services is through local demonstration areas in which credit is brought to a focus on major projects in close coordination with extension, marketing, and storage programs.

VI. Sources of Capital -- Credit programs should be developed with reference to sound, long-time plans of providing capital. Sources of capital include:

1. Farmer investment -- From the outset, plans should encompass provision for farmers to invest in the credit system.

2. Country government and private financing -- Through devices such as those outlined in the last paragraph of Roman III, plans should be developed to mobilize local country capital for agricultural credit.

3. U. S. Funds -- In those countries where the U.S. carries on P.L.665 or 480 commodity programs it is recommended that increased consideration be given to the use of U.S. acquired local currency for agricultural credit.

4. World Bank -- The International Bank for Reconstruction and Development offers loans to credit agencies in 57 countries to finance purchase of agricultural supplies and equipment requiring foreign exchange. These louns have covered a wide variety of products, ranging from seed and breeding stock to tractors and imported materials and equipment for reclamation and irrigation programs.

VII. Types and Sources of ICA Technical Help -- Types and sources of ICA technical help include:

1. Short-term consultants -- ICA is prepared to provide on relatively short notice a limited number of qualified consultants, with foreign experience for short-term (2 or 3 months) studies of country credit programs, as a basis for advising on longer-term technical and financial cooperation. These will include representatives of U.S. agricultural credit institutions obtained on a reimbursable basis and certain ICA consultants now in the field.

2. Longer-term consultants -- Plans are being made to facilitate recruitment of longer-term U.S. consultants requested by Country Governments and USOM's.

3. Training -- Missions are requested to assess training needs for credit personnel as a basis for planning and servicing:

a. Local country training facilities -- to be developed by the country with cooperation of ICA.

b. Third-country training -- Advice is requested from Missions as to approximate numbers and types of credit representatives that might be trained in third countries within the region as a basis for shaping plans for regional training programs.

c. Training in U.S. -- Plans are being developed for more practical basic training in the U.S. for those who might be appropriately trained in the U.S. This will include more opportunity for experience with cooperatives and banks in basic credit practices and procedures.

VIII. Regional and Country Workshops -- Plans are being developed for possible regional and country workshops (where wanted by Missions) in major regions to: (a) pool thinking on the most effective credit approaches and procedures; (b) assess training needs and develop plans for U.S. and regional training programs; and (c) develop specific follow-up plans. It is contemplated these workshops will include top policy leaders. Suggestive guides for these workshops, as part of an over-all approach to agricultural credit, have been developed in cooperation with key representatives of the Farm Credit Administration, Farmers Home Administration and other USDA units, cooperative associations, national farm organizations, International Bank, Food and Agriculture Organization, and other organizations.

IX. Backstopping -- ICA/W has developed arrangements with the Farm Credit Administration, and credit agencies of the U.S. Department of Agriculture to provide technical backstopping. This includes: consultation on credit problems and programs, providing personnel on reimbursable basis for country surveys, and preparation of materials on successful credit programs and practices. More details will be given in a subsequent airgram.

X. Preparation of Country Statement -- As a basis for over-all ICA guidance on use of program funds, training programs, and plans generally, it would be helpful if each Mission, to the extent such is applicable, could furnish ICA/W by 11/10/55 a brief statement including:

1. Credit situation:

a. Adequacy of credit

(1) Volume

(2) Terms

(3) Interest rate

b. Government's attitude toward agricultural credit problem

c. Proposed steps in solution of credit problem

d. Help needed in developing credit program:

(1) Short-term and long-term consultation

(2) Training facilities and programs in (a) country, (b) region, and (c) U.S.

(3) Outside financial help.

It is not contemplated that the Missions make a major research project out of this request. A brief memorandum will suffice.

FITZGERALD(AC

FITZGERALD

CABLE ROOM: PLEASE SEND TO FOLLOWING AS:

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AIRGRAM

INTERNATIONAL COOPERATION ADMINISTRATION
FOREIGN OPERATIONS ADMINISTRATION

AIRGRAM

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FILE COPY

PAGE 1 OF 1 PAGES

DATE SENT 8-20-55

DATE REC'D. 8/22/55

FROM - ICA/W

SUBJECT -

REFERENCE - TOICA A-29
(Check one before each address)

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ACTION	INFO.	ADDRESS AND SERIAL NUMBER
X		BAGHDAD ICATO A-80

Agric. credit

Reference airgram is of much interest here. It is not clear, however, why repayment of loans should not be as good as expected when loans were made. Is the problem due to poor crops and prices or are the borrowers simply less credit worthy than they seemed to be when they were approved? In the latter case, will more thorough investigation and screening of applicants be necessary in the future?

In supervised lending, emphasis is placed upon constructive lending and a workable farm program. Special farm projects as suggested in reference airgram may be a necessary supplement if repayment possibilities without the additional project is not adequate to permit orderly repayment of the loans. We assume study has been made to determine dependability of melon production as a supplemental project and that in future lending efforts will be made to see that each loan is supported by adequate repayment possibilities. A fair but firm collection program should then gradually correct the present problem and create among borrowers a wholesome respect for their debts.

OTHER AGENCY

HOLLISTER

AUTHORIZING OFFICER	DRAFTED BY	OFFICE	PHONE NO.	DATE
E. M. Hollingsworth, Director	Filer:gjt	S/FOOD	3668	August 15

FOA AND OTHER CLEARANCES	SECURITY CLASSIFICATION	FOA AND OTHER CLEARANCES
Middaugh, S/FOOD Walker, S/FOOD M.Jones, S/FOOD	UNCLASSIFIED	

FOA-5-29 (1-55) (Do not type below this line)

Dr. Hamner - This is a copy of a letter I sent to the Miri-Bird People which showed some some time and trouble also give them an idea of what they should have been doing for each letter see the time.

F. V. Fels Superintendent

Ltr to OJ-Cadet.

FILE COPY

American Embassy
Baghdad, Iraq.
June 29, 1955

Mr. Abdul Hassan Falugi, President
Hillah Branch
Miri Sirf Land Development
Hillah, Iraq.

Dear Sir:

Reference is made to your letter No.418 dated 19/2/55 in which you furnished a list of farmers who apparently had entered into a contract with the Government to acquire a farm unit under the Miri Sirf Land Development program. Among these people listed in your letter were the following:-

1.
2.
3.
4.

These men came to our office and applied for a loan under the Supervised Farm Credit program being administered by the Agricultural Bank. After reviewing the applications we visited the farmers at their place of residence for the purpose of developing with them a plan under which they would operate their farms for the next year and at the same time determine the amount of loan needed by each farmer for such operation.

Upon contacting these people they were unable to furnish us with a map of the entire tract nor could they show us satisfactorilly the outside boundaries of the entire tract and likewise could not show us the boundary lines of each of the four proposed farm units. In view of this situation we are unable to proceed further with the loan applications.

These men were advised that further action on their applications would be held in abeyance until such work was completed or documents furnished as follows:-

1. Furnish this office with a map of the entire tract that will plainly show the outside boundaries of such tract and at the same time show the boundary of each of the four proposed farm units. Such map must be drawn and certified to by a qualified civil engineer or official of the government.

2. The boundary lines of the entire tract and each of the four units must be sufficiently established on the ground in order that such boundary lines can be located easily upon inspection.

3. Each applicant must furnish this office with a copy of their contract with the government which shows they have the right to occupy, operate and acquire the land in question under the Miri Sirf Land Settlement Program.

4. Each applicant must furnish this office with a written agreement from the appropriate government official and/or the Irrigation Department that they are authorized to take water from a designated canal by the method proposed by the applicant such as by pump, horse drawn water wheel or by natural flowage.

Perhaps you can be of assistance to these men for meeting the four requirements as outlined above. In the future when referring similar applicants to this office for loans it is suggested that you assist them in being equipped to comply with these requirements.

Sincerely yours,

Sam Dameron

cc: Agricultural Bank, Baghdad
Mohammed Hassan Ali, Baghdad
Irrigation Department, Hillah
M.S.O.M.

FILE COPY

File
Agricultural Credit

c/o American Embassy
Baghdad, Iraq
June 17, 1955

Mr. Abdul Whaab Al-Dabbaugh
Director General, Agricultural Bank of Iraq
Baghdad, Iraq

Dear Mr. Al-Dabbaugh:

Reference is made to the Project Arrangement entered into by the Government of Iraq and the Foreign Operations Administration of the United States (formerly the Technical Cooperation Administration) in which it is agreed that assistance would be provided to the Agricultural Bank for the purpose of establishing farm credit for Iraq. This project arrangement dated September 10, 1953, provided that the Foreign Operations Administration would furnish the specialist an automobile for use on the project with the provision that the Agricultural Bank pay fuel costs and minor repairs for the vehicle while in official use.

We have been delayed in providing this automobile, but I am glad now to announce that a jeep station wagon was assigned to Mr. Sam Dameron, U.S. specialist, on the sixth of this month. He assures me that this automobile is satisfactory for carrying on his work in the Hilla Liwa.

Sincerely yours,

Conrad H. Hammar
Chief, Agriculture Division

CHH:bh

FILE COPY

7
Agric Credit

c/o American Embassy
Baghdad, Iraq
May 5, 1955

Ministry of Agriculture
Baghdad, Iraq

Gentlemen:

I am transmitting herewith for your information the explanation of what small farmers may expect from supervised loans. Such loans are now available in Hilla Liwa from the Agricultural Bank. A number of loans have been made, and many applications for loans are now being considered.

The paper transmitted was prepared by Mr. Sam Dameron, USOM credit specialist with the Agricultural Bank.

Sincerely,

Conrad H. Hammar
Chief, Agriculture Division

CHH:bh
Enc.

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(classification)

CONTROL NUMBER 1822

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TELEGRAM OUTGOING

TO : Secstate WASHINGTON TOUFO 588 DATE : April 29, 1955

NO : CHARGE :

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Can this message go WIROM ? Yes ..... No ..... Can it go by airpouch ? Yes ..... No .....

Information copies sent locally to :

National Agricultural Supply Co. Fort Atkinson, Wisconsin cabled us for authority to ship agricultural supplies ordered on Reqn. #66-50293 on Foreign Flag Vessel because no U.S. Flag Vessel calling Basrah at present. As supplies are urgently needed please authorise supplier direct to ship Foreign Flag if non-availability is determined in accordance with USFOTO CIR A-67 Para 5 and advise us.

Repeated by cable to :

WIBBS

Repeated by pouch to :

Clearances:

E. G. Robinson

~~WIBBS~~

KEEP TELEGRAPH MESSAGES SHORT

~~CONFIDENTIAL~~
(classification)

FILE COPY

7
Agric Credit

American Embassy,
Baghdad, Iraq.
March 23, 1955.

Abdul Whaab Al-Dabbaugh, Director General
Agricultural Bank of Iraq,
Baghdad, Iraq.

Dear Mr. Al-Dabbaugh:

I wish to express for myself and Mr. Dameron our great pleasure that you have returned to your work at the Bank. Mr. Dameron tells me that the cooperation of yourself and the officials of the Bank with him on his project has been extremely good and for that I wish to extend my thanks.

It was my original thought, on the Supervised Credit Project, that it might be advisable for the Bank to urge upon the Ministry of Finance the advisability of having some special legislation to guide the Bank in its granting of such credit to farmers. Mr. Dameron tells me that since he has come here he has been more than ever convinced of the advisability of such legislation. I think, however, there should be at least a year or more of experience with such loans in the field before such legislations, if any, should be proposed, but it would certainly be suitable for us to be thinking and planning in advance.

I should like to suggest, therefore, that we request Mr. Khamees to obtain from the United States relevant statutes to bring with him on his return here and to consult with officials there what they think might be the most effective type of law, if any, for Iraq to enact. Mr. Khamees could call on the officials of Farmers Home Administration with that idea in mind.

Mr. Dameron and I would be most happy to consult with you on this matter and wish to assure you of our greatest respect and regard.

Sincerely yours,

Conrad H. Hammar
Chief, Agriculture Division

FOREIGN OPERATIONS ADMINISTRATION — AIRGRAM

SECURITY CLASSIFICATION: UNCLASSIFIED

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PAGE 1 OF PAGES 1

DATE SENT: 3-19-55

DATE REC'D: MAR 23 REC'D

FROM - FOA/Washington

SUBJECT - Supervised Farm Credit Memo - Progress Report

REFERENCE - TOUSFO A 591

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BAGHDAD USFOTO A -433

Agric - Credit

Supervised credit for small farmers strongly endorsed by FOA/W. We have only few suggestions to offer on Dameron's memorandum, which is well prepared.

During the first few years of operation the Farm Credit Supervisor probably should prepare for the Bank a written analysis on each application pointing out the strong and weak points of each of the five credit factors and add his recommendation for or against approval of the loan.

Item 4 under Loan Making would involve considerable work by the Farm Credit Supervisor. It seems he could determine eligibility in at least practically all instances. Questionable cases could be referred to the Bank for a decision.

There are advantages to having repayment individualized to the specific farm program with payments based on ability to pay and made as farm products are sold rather than upon an annual basis in equal amounts. Also short term loans made for a year at a time usually have better repayment record.

McCown

OTHER AGENCY

Middaugh will be glad to discuss these matters with you while in Baghdad the last week in March.

STASSEN

AUTHORIZING OFFICER	DRAFTED BY	OFFICE	PHONE NO.	DATE
E. N. Holmgreen, Director Office of Food and Agriculture	FLKerr/mbm	S/FOOD	3669	3-15-55

FOA AND OTHER CLEARANCES: Mr. Middaugh; O/NEA Pierce

SECURITY CLASSIFICATION: UNCLASSIFIED

FOA AND OTHER CLEARANCES: No action

FOA-51 (5-54) (Do not type below this line)

AIRGRAM

FOREIGN OPERATIONS ADMINISTRATION

AIRGRAM

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PAGE 1 OF 2 PAGES

DATE SENT 3-30-55

DATE REC'D MAR 17 REC'D

FROM: WASHINGTON

SUBJECT: Special Project, Plant and Seed Materials.

REFERENCE (Check one before each address): USFOTO Circular A-31, Page 1, Par.2 (b); Page 2, Par.4 "Operational Procedure"; and subject project.

ACTION | INFO. ADDRESS AND SERIAL NUMBER

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X USFOTO CIRCULAR A-196 CINCFE SEOUL FOAMO A-498
Rpts. INFO. CINCUNC TOKYO A-498

Abbreviation: Agricultural Officers in all Missions.

1. Discussions with technicians of the ARS, Horticultural Crops Research Branch disclose that requests for purchase of experimental seeds and plant material to be charged to FOA under the above agreement have: (a) been arriving direct addressed to Dr. Nelson, Mr. Lyrland and others; (b) seeds arrive at the Inspection House, having been ordered direct by USOM field staff with no provision made to pay cost and/or shipping charges, and (c) we are also advised that seeds and plant material are arriving at the mail rooms of both FOA and the State Department in Washington for transshipment to various individuals attached to USOM or serving under college contracts.

2. Note is to remind all USOM that (a), (b) and (c) above are contrary to the procedure provided for in reference airgram and project and must be discontinued at once. Seeds and plant material ordered as described in (b) above may be returned to their consignors, all charges collect, or destroyed at the Inspection House. And those ordered as described in (c) above may be refused by State or FOA and, if accepted, will not be inspected or fumigated making the introduction of new diseases and insects possible. Also, import of some crop seeds is illegal.

3. FOA/W has advised USDA/ARS that they cannot charge the costs of any more seeds and plant material to subject project before the request is approved by the Office of Food and Agriculture, FOA/W. Therefore, requests sent direct to USDA/ARS will be delayed while approval is being sought.

(Continued)

AUTHORIZING OFFICER	DRAFTED BY	OFFICE	PHONE NO.	DATE
E.N. Halvorson	JEVallier:ir	S/FOOD	3034	3/1/55

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4. Chief Agricultural Officers of all USOMS are requested to notify their staffs relative to the above described operating procedure.

5. In order to avoid confusion with college contract personnel the Chief Agricultural Officers of the USOMS are also asked to notify college contract administrators that ARS will not charge future requests for [redacted] seeds and plant material to the FOA project unless they are channeled through and approved by the USOM and FOA/W.

6. Chief Agricultural Officers are again asked to remind all staff members that the channels for all non-personal communications with USDA is through the USOM and S/FOOD, FOA/W. This procedure applies even though the staff member has received a communication direct from some staff member [redacted] of USDA.

FITZGERALD(ACTING)

CABLE ROOM -- Send to Missions listed below:

5	BOGOTA	10	RIODE JANEIRO	6	MEXICO CITY
4	BELGRADE	4	SAN JOSE	3	MONTEVIDEO
12	BONN	3	SAN SALVADORE	10	PANAMA CITY
6	BRUSSELS	5	SANTIAGO	10	PORT AU PRINCE
4	COPENHAGEN	4	TEGUCIGALPA	7	QUITO
5	LISBON	3	ADDIS ABABA		[redacted]
12	LONDON	6	AMMAN	6	TOKYO MSN
7	MADRID	4	ANKARA		
3	OSLO	3	ASMARA	6	MANAGUA
15	PARIS USN	10	ATHENS	3	PARAMARIBO
10	ROME	5	BAGHDAD	3	PHNOM PENH
6	THE HAGUE	6	BEIRUT		
9	VIENNA	8	CAIRO	5	GEORGETOWN
3	BANGKOK				[redacted]
4	DJAKARTA	5	KABUL		
10	MANILA	8	KARACHI		[redacted]
4	SAIGON	6	KATMANDU		[redacted]
6	TAIPEI	5	MONROVIA	3	VIENTIANE
10	ASUNCION	8	NEW DELHI		
	[redacted]	10	TEHRAN		
4	CARACAS	8	TEL AVIV	6	CINCREP SEOUL FOATO A-498
4	CIUDAD TRUJILLO	5	TRIPOLI	6	CINCUNC TOKYO FOATO A-498
6	GUATEMALA CITY	10	PARIS USRO		
3	HABANA				
8	LA PAZ		[redacted]		
5	LIMA				
	[redacted]				

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AIRGRAM

FOREIGN OPERATIONS ADMINISTRATION

AIRGRAM

SECURITY CLASSIFICATION
UNCLASSIFIED

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PAGE 1 OF 6 PAGES

DATE SENT March 5, 1955

DATE REC'D.

FROM - Baghdad

SUBJECT - Supervised Farm Credit Memo--Progress Report

FILE COPY

Agric.-Credit

REFERENCE - (Check one before each address)

DISTRIBUTION	ACTION	INFO	ADDRESS AND SERIAL NUMBER
	x		WASHINGTON TOUSFO A 591

Officials of the Agricultural Bank of Iraq are gradually achieving a considerable understanding of and sympathy for supervised credit for small farmers but still find it difficult to make quite all the administrative provisions and adjustments that are needed if loans are to be made expeditously and supervised efficiently. The attached memo has been prepared and presented to the Director General of the Bank by Credit Supervisor, Sam Dameron, to clarify responsibilities and procedures in connection with the type of loans which are now under consideration. The Farmers Home Administration may wish to comment.

A progress report on Problems and Progress in providing supervised farm loans to Iraq small farmers is now being prepared by Mr. Dameron and will be forwarded for comment shortly.

OTHER AGENCY

Enclosures: As above

Henry Wiens
Director

AUTHORIZING OFFICER	DRAFTED BY	OFFICE	PHONE NO.	DATE
	CHHammar	Agric.		3/5/55

FOA AND OTHER CLEARANCES

SECURITY CLASSIFICATION
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FOA-51A (5-54) W/O HECTO

(Do not type below this line)

TO: Director General, Agricultural Bank of Iraq
FROM: Mr. Sam Dameron and Mahdi Najjar
SUBJECT: Memorandum of Understanding for Establishment and Operation of Supervised Credit Office at Hilla.

We are glad to report to you that we have been successful in establishing the subject office at Hilla. After visiting and talking with Government officials and prospective borrowers in the Liwa, it is considered necessary that you officially approve the recommendations as follows:

1. Administrative activities to be handled in the Agricultural Bank:

   a. Establish a special loan account of Eight Thousand Iraqi Dinars (ID 8,000) from which all loans made under the program will be paid.

   b. Establish the interest rate to be charged for all loans made under the program at three per cent (3%) per annum, payable in advance when the borrowers receive their loan funds.

   c. All loans made in the program will be approved by the Agricultural Bank in Baghdad.

   d. The bank will pay from a special account established in the bank all purchases made for the operation of the supervised credit office such as rental of office space, electricity, janitor service, travel expenses for officials working in the program, etc.

2. Authority of the farm credit supervisor. See attached.

3. Authority of the supervisor of the branch office of the Agricultural Bank in Hilla.

   a. With the approval of the farm credit supervisor and advice of the U.S. technician to disburse all loan funds in accordance with the loan agreement entered into by each borrower with the bank when the loan was approved.

   b. Cooperate with and lend assistance to the farm credit supervisor in the development and administration of the program as possible.

4. Conditions under which loans will be made:

   a. The forms to be used in developing each loan docket will be the application, farm and home plan, loan agreement, and security

instruments as required and now being used by the bank in its regular loan program.

b. Loans will be made only to farmers who occupy and cultivate a farm or tract of land of sufficient size and quality to enable the operator to be successful as determined by a farm and home plan prepared by the farmer with the assistance of the farm credit supervisor.

c. No loans will be made to a farmer who owns or operates a farm or tract of land exceeding three hundred (300) donums.

d. No loans will be made to a farmer who operates only an orchard containing more than ten (10) donums devoted entirely to fruit production.

e. Loans will be made to eligible farmers for the purpose of assisting them to purchase food, feed, farm and home equipment, seed, fertilizers, insecticides, hire labor, farm building materials, livestock, and refinancing of indebtedness covered by a mortgage on growing crops or livestock used by the farmers in operating their farms.

f. Loans may be made to a farmer or a group of farmers to purchase machinery and equipment necessary for land irrigation and furnish water for human and animal consumption.

g. Loans made under the program will be secured as follows:

(1) Appropriate realestate mortgage from borrowers owning lands classified as Mamluka and Miri Tapu.

(2) Appropriate real estate mortgage from borrowers owning lands classified as Miri Lazma with the approval of the Ministry of Interior.

(3) For operators of Miri Sirf land with the guarantee of the Government.

(4) For tenant farmers by a joint grantee of at least three (3) reliable persons including the borrower.

h. The amount of the loans to be made under this program will be determined by the amount required and justified as reflected in the farm and home plan, but in no case shall the amount be less than Fifteen Iraqi Dinars (ID 15) or more than Two Hundred Fifty Iraqi Dinars (ID 250).

i. Loan limits on the established value of the property offered as security for loans as determined by the appraisal shall conform to the existing regulation of the bank except that loans may be made for ninety per cent (90%) of the appraised value of immovable property.

j. All expenses incident to the recording of official documents in connection with each loan shall be paid by the borrower.

k. Loans will be scheduled to be repaid in equal annual installments with interest paid in advance for a period not to exceed five (5) years from the date such loan was granted.

Please let us have your decision regarding each recommendation listed above so that we may proceed to Hilla and begin the work.

- - - - - - -

Job Description

FARM CREDIT SUPERVISOR

Responsibilities and Functions:

He will be under the general supervision of the Agricultural Bank for the experimental supervised credit program and will be under the technical supervision of the U.S. Technician assigned to direct the establishment of such program and will be required to do, but not limited to, the following:

A. LOAN MAKING:

1. Establish his permanent residence within the area where he is to work.

2. With the assistance of officials of the Bank explain to farmers living within the designated area either individually or in groups the purpose and intent of the supervised credit program.

3. Receive applications from farmers, within the designated area, who wish to apply for a loan from the Agricultural Bank.

4. After receiving such applications, he will present them to the Bank with a complete report as to his opinion regarding the eligibility of each applicant for a loan.

5. For each applicant approved by the Bank as to eligibility for further consideration for a loan, he will visit the applicant on his farm and develop a farm plan under which the farmer will agree to operate, also will inspect and appraise the property offered as security for the loan applied for.

6. From the farm plan developed he will determine, with the farmer, the amount of loan needed to purchase the seed, farm implements, fertilizer, insecticides, work animals and other supplies that will be required by the farmer to operate his farm.

7. From the information contained in the farm plan as to the amount of loan required for the farmer the supervisor will prepare and have signed by the farmer a LOAN AGREEMENT, and SECURITY DOCUMENTS (in the case of a tenant farmer, a satisfactory written lease agreement is also required.)

8. He will present to the Agricultural Bank for each approved applicant the farm plan and all the instruments listed in item 6 above for final approval.

9. After the loan has been approved it will be the responsibility of the supervisor to see that such loan is made available and used by the borrower in accordance with the farm plan and loan agreement.

B. SUPERVISION:

1. The supervisor will visit each borrower as often as possible and practicable to teach him the proper method of dividing his farm into fields for planting to certain crops, preparation of the soil for planting, time and method of planting various types of crops, time and method of cultivating crops, time and method of irrigation, advise farmers what should be done to control diseases or insects that may be causing crop damage.

2. Advise farmers as to the time and best method of harvesting crops.

5. Assist farmers in selling their crops in order to get best prices available.

4. During farm visits check items pledged as security for the loan such as farm implements and livestock to see if it is receiving proper care and maintenance.

5. Make collections on loans as crops are being sold and in accordance with note signed by the borrower when he received the loan.

6. Work closely with other agricultural organizations in the area to obtain for the borrowers, under his supervision, helpful instructions and information.

7. He must make reports to the Bank as requested and advise the public concerning the operations and activities of the supervised credit program, and perform other related duties as required.

FILE COPY

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Agric-Credit

K. G. Robinson, Executive Officer 3/3/55

Dr. C. H. Hammar, Chief Agric.

In the preliminary negotiations for the establishment of a project with the Iraq Agricultural Bank on Supervised Farm Credit, there was a proposal that we would purchase for the specialist (Mr. Dameron) when he arrived a motor vehicle for his use while working on the official business of the project. We have purchased for the Agricultural Division a number of vehicles and I wish now to assign, if possible, a Jeep station wagon or a Jeep pickup to Mr. Dameron for his use. The bank keeps urging us to make good on our early proposals, and I find their willingness to come through on certain promises to us relevant to the project to have compromised by our failure to supply the automobile.

Would you have Sofair look over vehicles purchased by the Agricultural Division to discover if one might be assigned to Mr. Dameron for his use?

FOA Agric - Credit

FILE COPY

No. 725

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs and has the honor to refer to the Ministry's Note No. Mussa'adat/764/345/400/29795 dated November 18, 1954, wherein the Ministry requested mediation in implementing the $4,000 allocation provided in the Agreement between the Agricultural Bank of Iraq and the United States Foreign Operations Administration in Iraq.

The Embassy is pleased to inform the esteemed Ministry that the United States Operations Mission to Iraq has implemented the Credit Project with the Agricultural Bank by supplying Mr. Sam Dameron an automobile for his use in making trips required in the performance of his duties in training Iraqi workers in farm credit.

The Embassy avails itself of this opportunity to express to the Ministry the assurances of its highest concern.

The American Embassy,

Baghdad, January 6, 1955.
MEOlson/mk

WHAT ARE CREDIT UNIONS AND HOW CAN WE USE THEM?

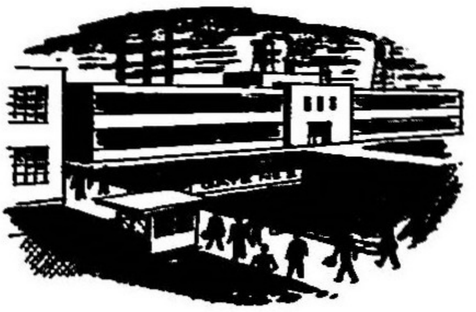
A High School Study Unit



THE CREDIT UNION WAY

How it can help you become better off financially and achieve a happier life

What is a Credit Union



A credit union is simply a group of people organized to help each other solve their own financial problems. They save money together and use their combined savings as capital to provide each other with low cost loans.

The purpose of a credit union is not for profit, but for service—to give its members the means to build their own financial security. Credit unions have no direct connection with labor unions although some union locals have a credit union serving their membership, as do many other groups such as churches, lodges, farm organizations or groups of people who work at the same place.

Over 100 Years Old



Man's urgent need to find a better, easier way to save money and to protect himself against unscrupulous money lenders who charge exorbitant rates of interest inspired the first credit unions more than a hundred years ago. They were begun by groups of hard pressed people who determined to make the most of what little they had by helping each other. They succeeded and proved the credit union principle.

9 Million Members *

The idea has since been adopted by people all over the world. Today there are over *18,300* credit unions serving nearly *nine* million people in the United States and Canada. Many of America's largest and best known companies have credit unions within their groups of employees. Credit unions have the endorsement of government, business, labor, and church. The same relief from financial anxiety that these millions of people enjoy will be yours when you join your own credit union.

How you save more money

When you save in your credit union you save for a double purpose—to help yourself and your fellow members. Your benefits increase with the

* Present credit union growth is at the rate of 2,000 credit unions and one million members every year.

amount of your savings. You make your savings deposits quickly and easily where you work or at your church or club—wherever your credit union is located. This makes regular saving easier and has inspired credit union members to save over one billion dollars.

You earn more on your savings



Your credit union savings pay larger dividends than most other kinds of savings. Last year credit unions all over the country averaged from 3% to 4% return on savings. Compare that with the rate paid by other savings institutions and you see why it is more profitable to save the credit union way.

You save through low cost loans

If you have ever borrowed money or bought anything "on time" you would most likely have saved money by getting a credit union loan. Credit union rates are lower than those available to most people at other sources. A credit union is run by the members and therefore has no expensive overhead. Its purpose is for human need and not for greed. Helping members finance such purchases as home furnishings, cars and clothing and providing funds for medical bills and even vacations is a primary purpose of the credit union. Did you ever figure out what you actually pay in interest and charges on the things you buy on time? You'd be surprised if you did.

Your Credit Union belongs to you



You choose your own officers from the membership. These officers manage the credit union without pay, except for the treasurer, who has the most work. This is another way the credit union saves money and passes it along to members in benefits. There's a wonderful sense of "belonging" when you are a credit union member. You are not dealing with strangers and outsiders who do not understand or care about your problems and whose only motive is profit. Your credit union has a heart. It's there to serve you.

How you are protected



In addition to help you save more successfully and more profitably and providing you with low cost loans, your credit union can also offer unusually attractive insurance features. Your life may be insured in relation to your savings up to $1,000 and the credit union pays the premium. If you die your family would get not only what you had saved but an additional amount from the insurance. Money you borrow from your credit union may also be insured at no cost to you so that if you die or suffer a total and permanent disability your debt to the credit union is paid in full. These insurance features are additional proof of the spirit of credit unions—to help and serve you—not to take advantage of your need.

How you may join



Any group of people with a common bond such as employment in the same place, church affiliation, membership in a club or other organization can form its own credit union. It is usually advisable that the group number 50 or more. A field representative for the Credit Union National Association will help you get started. He will provide all the necessary information. He will talk to the management of the place where you work or the head of your club, church or other group. He will show you how quickly and easily a credit union can begin providing you with all the benefits for happier living that millions of people are now enjoying. Business leaders welcome them and praise them as the most beneficial of all employee activities.



CUNA
CREDIT UNION
NATIONAL ASSOCIATION
Madison 1, Wisconsin, U.S.A. • Hamilton, Ontario, Canada

Form Ed. 71 Printed in U. S. A. 11

CREDIT UNION MATERIAL

Following is a list of credit union material contained in this package:

Model Credit Union Law - drafted by CUNA following the counsel and experience of credit unions and credit union leaders. This law has been found to be workable not only in North America, but also in many areas where the economic status of the people was very low.

What Are Credit Unions and How Can We Use Them? This study unit used in schools, is a teacher's manual which fully outlines the credit union plan, including essentials of how credit unions are organized, how they operate, their purposes and history. Includes true-life examples.

They All Endorse Credit Unions This leaflet indicates the widespread approval of credit unions by church, government, farm, management and labor leaders.

The Credit Union's Proper Place in History This leaflet gives some of the interesting details of beginnings of credit unions, of the men that made their success possible, and of their growth.

The Credit Union Way A typical credit union leaflet, explaining the credit union briefly. Could easily be translated, with slight changes, for general use in other countries.

Reprint of article "Padre Pablo Spreads Hope - Co-ops spread from Nova Scotia to the Caribbean." From Catholic Digest July 1953. This article tells how credit unions are already helping people in underdeveloped lands to help themselves.

Credit Unions in Indonesia How credit unions are working successfully to solve social and economic problems in the Republic of Indonesia. An on-the-spot report by Point IV adviser C. A. Woolard, reprinted from the Credit Union Bridge.

Fiji Sets a New Pattern How credit unions are being eagerly adopted in Fiji, despite difficulties of language, culture, race and geography. A CUNA feature story.

For additional help or information do not hesitate to write:

M. F. Gregory, Director
Public Relations Department
Credit Union National Association
Madison 1, Wisconsin

Credit Union National Association is an independent, non-profit organization dedicated to the advancement of economic democracy through credit unions. It is entirely supported by its member credit unions.

Credit Unions in Indonesia

Solve Social and Economic Problems

By C. A. Woolard

FORMERLY the Dutch East Indies, the new Republic of Indonesia is probably best known to the world for its fabulous islands. Starting with the famed Spice Islands of the Celebes and Moluccas in the east, its far-flung perimeter embraces Timor, Bali, Java, Sumatra, the Bangkas, and most of Borneo. Sweeping three thousand miles along the equator, this magnificent chain almost joins the continent of Asia with Australia, and its 80,000,000 people place it sixth in population among the world's family of nations.

For centuries the names of these islands of the Indies have been known to the west chiefly for their exotic products. Rubber and tin from Sumatra and the Bangkas, tea and teakwood from Java, cloves and sandal-wood from the Celebes, all have long established trade names in the world's commerce. Equally as strange and fascinating, the customs of the people of these distant lands have provided romantic backgrounds for some of our most colorful fiction, but are virtually unknown otherwise. Thus it may come as a surprise to many of us to find such a progressive and thoroughly western institution as the credit union flourishing in this remote and picturesque archipelago.

Known simply as credit cooperatives in Indonesia, credit unions comprise about two-thirds of the seven thousand or more cooperatives of all types operating in the country. They were introduced about a quarter-century ago, largely through the efforts of Dr. Hatta, famed independence leader and now vice president of the Republic, who studied the movement in Europe during his



Mr. Omo, chairman of the credit union, discusses problems with Mr. Woolard, Point IV adviser, and Mr. Ramelan, director of Bandung Cooperative Service Training School.
(Foreign Operations Administration Photo)

student days. Today he in indeed esteemed almost as much for bringing the cooperative to his people as he is revered as the architect of their freedom.

Although the movement was well established by 1940, most of the cooperatives of Indonesia were disbanded during the Japanese occupation and subsequent four years of the independence struggle. However, a spectacular come-back has been made since full sovereignty was achieved in 1949, with much help from the new government, which is probably the most cooperative-minded in the world. One reason for this attitude is the fact that many of its present leaders, like Dr. Hatta himself, were cooperative workers in pre-independence days. Another is that the Constitution of Indonesia mandates the government to organize the entire economy of the people, eventually, on a cooperative basis.

Wisely directing its efforts towards mass education, one of the first acts of the Indonesian government was to establish a national Cooperative Service. A bureau of the Ministry of Economic Affairs, this Service has more than 800 employees and maintains offices in all Provinces of the country. Organized in 1950, its first project was the establishment of a country-wide system of training centers for village youths in the theory and practice of cooperation. These were boarding schools, offering free of charge four weeks of class-room instruction in the techniques of cooperative organization, management, and bookkeeping. Adopting a standardized schedule of studies requiring 168 hours of work, classes were limited to 35 students qualifying for the course by stiff entrance examinations. By the end of 1952 there were 26 training centers in operation and more than 5,000 students had been graduated in Java, Sumatra, Borneo and the Celebes.

Although it is too soon to evaluate the total effect of such a program, hundreds of new cooperatives organized by students of these schools can be counted. One of the most interesting example is a credit cooperative in the great Pasar Baru (New Market) of Bandung, a mountain city in west Java, where the first Cooperative Training School was opened.

Often called the Paris of Indonesia, Bandung is its third largest city. Long popular as a resort town in colonial times because of its delightful climate, it is a rich manufacturing and trade center of 800,000 population, with many fine homes, schools, modern hotels and scenic attractions. Sprawling over two city blocks near the center of town, the Pasar Baru is an open market-place where the produce of farm and factory alike is bought and sold all day long by thousands of small merchant-traders, most of whom are native Indonesians. Bustling with color and activity, the Pasar is the center of native life in all Indonesian cities and one of their most fascinating spectacles.

Unlike their more fortunate Chinese, Indian and Dutch rivals in the larger merchantile houses of the town, the little Indonesian merchants of the Pasar have no access to bank credits, and for centuries have been a prized victim of the



Main street in the city of Bandung, Indonesia taken from Savoy Hotel. Along the street are Chinese, Dutch, and Indian mercantile establishments. *(Foreign Operations Administration Photo)*

itinerant money-lender. Lending small sums without collateral security at fantastic interest rates, these "walking money-lenders are protected by losses by the necessity that the borrower preserve "face" in order to obtain future credits. Acknowledged as providing an essential service, the evil institution of the money-lender has long stumped the experts in the search for something better. Thus it was no accident that he was selected as the prime target of the Cooperative Service training program.

Rounding up students for his first class, Mr. Ramelan, the newly appointed Director of the Bandung Cooperative Service Training School, headed straight for the nearby Pasar and the fruit-vending stall of an old friend, Mr. Omo. There, over a glass of hot tea in the back of the stall, he succeeded in convincing Mr. Omo that there was a way, through the credit cooperative, whereby he and his neighbors could free themselves of the burden of the money-lender. Mr. Omo talked it over with a small group of his fellow merchants that night. They agreed to try the idea, and also to help Mrs. Omo run the family business while Mr. Omo attended the day-long classes at the Cooperative Training School to learn the techniques involved.

Enrolling the next morning, Mr. Omo breezed through the difficult course with ease, his mind quickened by a vision. Graduating at the top of the class four weeks later, he returned to the Pasar and promptly called a meeting of his sponsors. Thirty-four men and women in all, that night they met standing in and around Mr. Omo's tiny stall, and there in the flickering light of a kerosene lantern formally adopted the by-laws of the Pasar Baru Credit Cooperative of Bandung. Electing Mr. Omo as chairman of a board of directors of five, executive officers were selected, and a ten Rupiah share purchase was paid in by each of the members present before the meeting adjourned.

The next morning the members erected a lean-to shack in a corner of the market and the little credit cooperative opened for business. Ignoring the banter of the skeptical and smirks of the money-lenders with cheerful aplomb, Mr. Omo set up his books, loaned out his total, capital, and took off around the Pasar on a membership campaign. Prospective members were invited to inspect the model office, complete with abacus (Chinese calculator), neatly ruled ledgers, and most important of all, the interest tables posted for all to see. These proved to be his best possible advertisement. Scaled to the unbelievable rate of one and one-half percent per month on unpaid balances, (as against the money-lender's rate of forty percent per month) they kept a crowd of doubters waiting for hours to witness the first loan repayment.



Mr. Ramelan, who is mentioned in this article, visited the Credit Union National Association last fall while on a four months study trip in the United States sponsored by the Mutual Security Agency.

For another article on credit unions in Indonesia, see The Credit Union Bridge, March, 1953 issue, page 6.

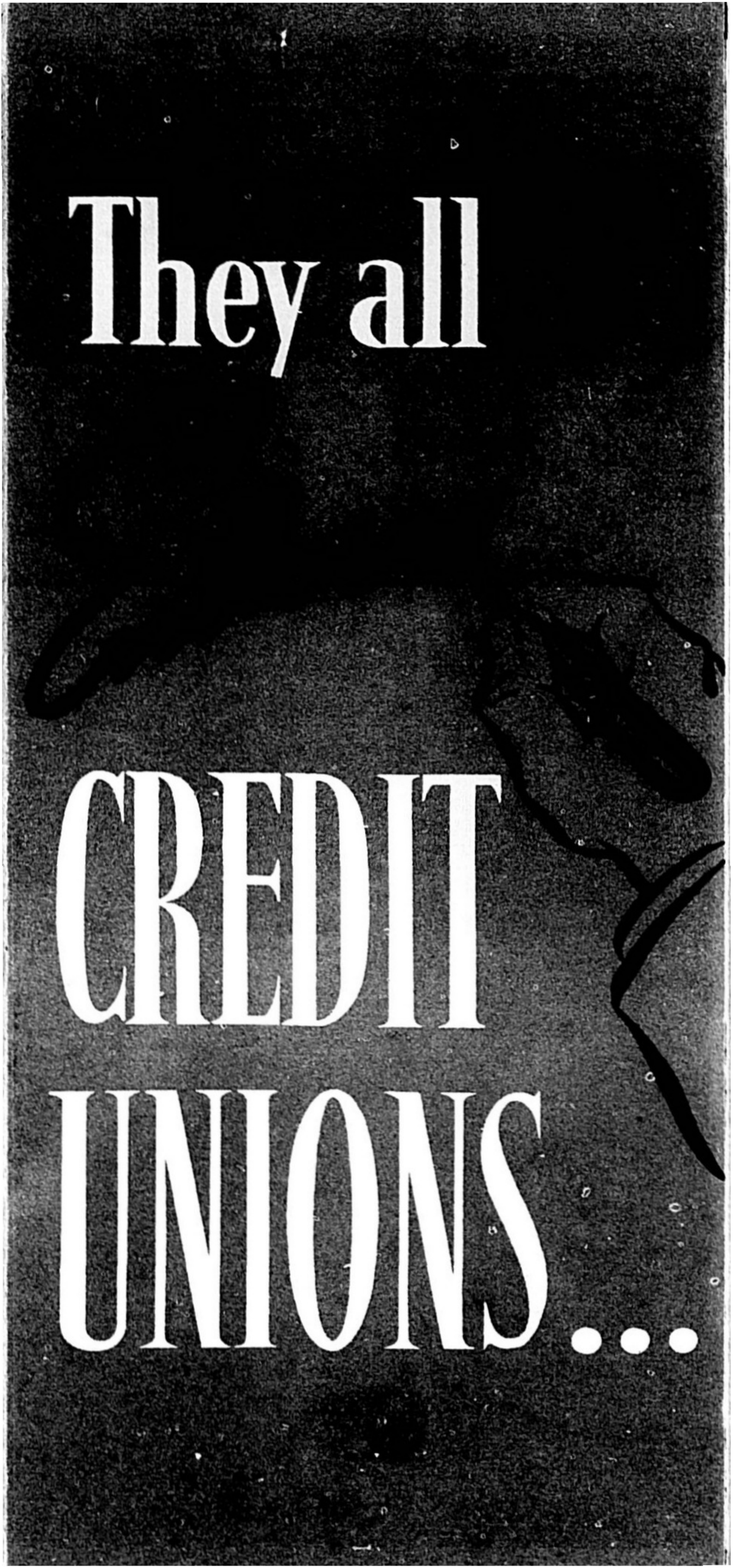
This event happened in a matter of hours, too. One of the first borrowers had used a 25 Rupiah (about $2.00) loan to buy fresh fish trucked up from the coastal city of Djakarta that morning. Selling quickly in a scarce market, the borrower returned to repay the loan at noon. A private money-lender's charge would have been a straight 10% for this loan. Consulting his interest tables, Mr. Omo found the credit cooperative's total permissable charge to be a sen (one hundredth part of a Rupiah) and a fraction. Debiting this charge to the member's interest account for future collection when the total account reached a reasonable sum, Mr. Omo did collect 10% of the loan in addition to the principal, but as a deposit of the member in his savings account instead of an interest charge. This was in accordance with the by-laws of all Indonesian credit cooperatives, and is one of the secrets of their success in raising their own capital.

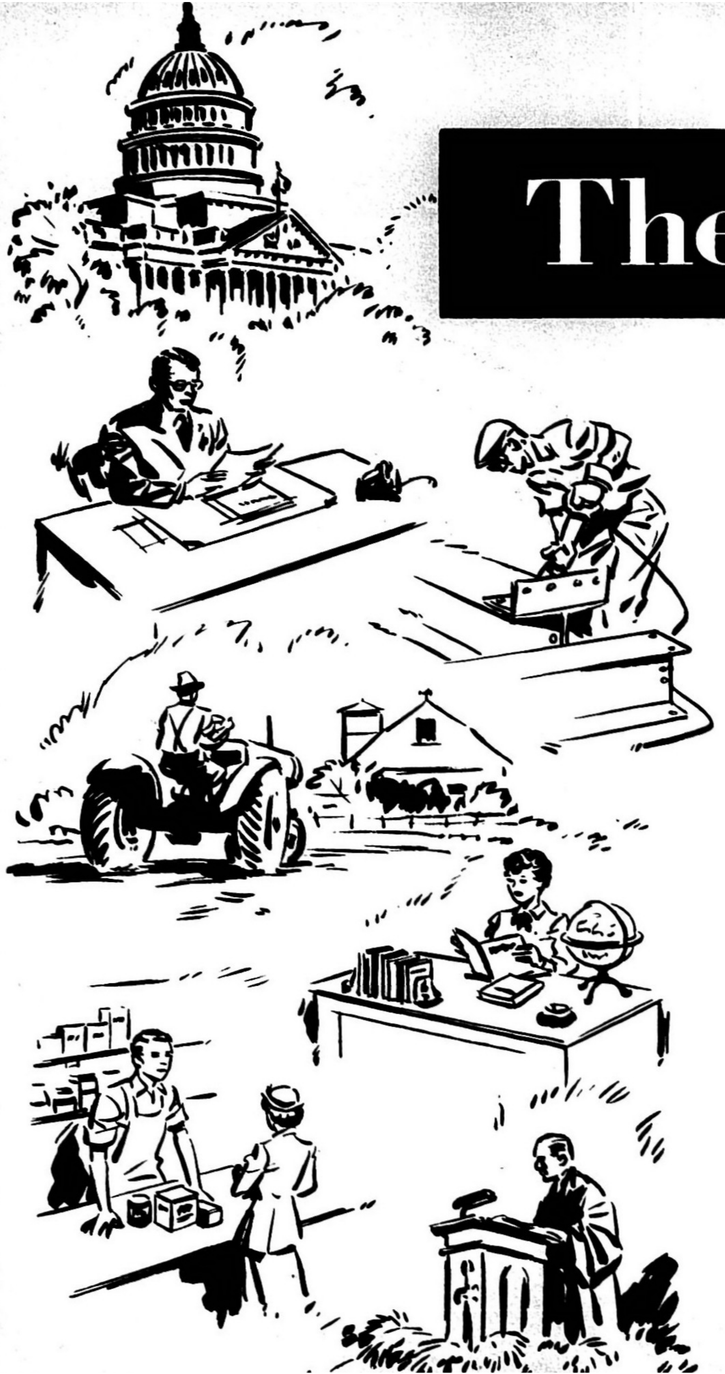
From that first memorable day's operations, in December, 1951, the story of the little credit cooperative in the Bandung Pasar has been one of steadily mounting success. Three months later membership stood at 315 men and women, with 40,000 Rupiahs in savings and over 70,000 Rupiahs successfully loaned. At the end of the first year's operation almost three-fourths (740) of the thousand-odd small merchants of Pasar were members, with 85,000 Rupiahs in capital and a record of over 140,000 Rupiahs loaned to members and not a single repayment overdue. Moreover, the goal set by its members, and Mr. Ramelan of the Cooperative Training School had also been realized. The droves of private money-lenders formerly infesting the Pasar had almost disappeared, and those remaining were only able to do business by reducing their interest rates to a competitive level.

Formed in almost precisely the same manner and for the same purposes as our own, the credit cooperatives of Indonesia serve villagers, factory workers, government employees and community groups in all the major islands. An outstanding example of their adaptability to so-called primitive societies and another case for the record of the Cooperative Service Training Schools was recently reported from eastern Borneo. In the spring of 1952 the school at Samarinda, near the mouth of the Mahakam River, graduated sixteen Dyak students, members of the former head-hunting tribes of the interior, who paddled their canoes 200 miles downstream to attend classes. Returning to their homes, a full month's journey, they reported the successful formation of credit cooperatives in each of their "long houses", the three to four hundred family single dwelling which comprises a Dyak village.



Indonesian merchants and shoppers. The credit union operates in a building behind the market place. *(Foreign Operations Administration Photo)*


They all
CREDIT
UNIONS...



They All Endorse Credit Unions

HARRY TRUMAN
President of the United States

Credit unions serve the people in the best American tradition. Membership-owned-and-operated, they help their members solve their own money problems. By encouraging thrift and the wise use of credit they contribute to the welfare not only of their own groups, but also of the whole nation.

I am particularly proud of the fine records made by the more than 5,600 credit unions chartered by the Federal Government since the Federal Credit Union Act was signed by President Roosevelt in 1934.

LOUIS S. ST. LAURENT
Prime Minister of Canada

Credit unions represent a successful application of the co-operative principle to the improvement of the material welfare of large numbers of our people.

THOMAS E. DEWEY
Governor, State of New York

Organizations which perform an unselfish purpose in helping people to save and to finance their activities wisely fulfill a real need in our community and merit commendation. Credit unions have shown unusual vitality in New York State.

DWIGHT J. THOMSON
Director of Industrial and Public Relations, Champion Paper and Fibre Company

When our credit union was organized ten years ago, we little realized the important part it was to play in our industrial relations program. . . . We wholeheartedly endorse its operation.

JOHN HOLMES
President, Swift and Company

We like the idea of credit unions of our employees. We like the lessons of frugality and thrift they teach and the democratic manner in which they are taught. We think these things make for happier employes and more efficient ones. The feeling of security and peace of mind of a nest egg that comes with thrift is a bulwark against much unhappiness in our family living.

SAMUEL SPECTOR
President, Bonafide Mills

I am a great believer in credit unions. The existence of the credit union has had no adverse effects; to the contrary, it has been helpful to both the management and employees of the company and has brought financial stability to the employees.

R. D. ZEVIN
President, World Publishing Company

We have a very successful credit union. Since the day it was organized to this very day, I have supported it with all the enthusiasm — all the vigor I could command. I have supported it as a charter member, as a borrower, as a co-signer on loans, as a company executive. Since the credit union was organized the company has never been asked to dole out any loans or advances, no one's salary has ever been garnisheed, no one has ever been fired for being in debt. Many hundreds have been made happier.

To me credit unionism is a way of life. It is a step in the direction to which all mankind is groping, however blindly, and slowly. The spirit of cooperation which prevails throughout the credit union movement is precisely the sort of thing which is needed.

M. E. CODY
General Manager, The Black-Clawson Company

My personal feeling is that our credit union has been of benefit to both the employees and the management to a very great extent. . . . We are frankly very enthusiastic about the credit union and endeavor to encourage it in every way possible.

JAMES L. KRAFT
Chairman of the Board, Kraft Food Company

It is my opinion that the twelve credit unions operated by Kraft Foods Company employees have been of material benefit to both the employees and the Company. These credit unions have had the active interest and assistance of the officers of this company since their inception.

They have been a source of help to employees in times of distress and also tend to promote the habit of thrift.

Unquestionably, the credit union has had an excellent effect upon employee morale.

SAMUEL McCREA CAVERT

General Secretary,
the Federal Council of the
Churches of Christ in America

Credit unions have clearly proved themselves to be an important method of mutual helpfulness among many groups of people. They deserve our grateful support.

WILLIAM T. MULLOY

Bishop of Covington,
Past President,
National Catholic Rural Life Conference

Credit unions are agencies which help make the common man the master of his economic destiny.

ABRAM VOSSEN GOODMAN

Chairman,
Joint Commission of Social Justice
Union of American Hebrew Congregations

The Five Books of Moses tell us that if our brother be waxen poor we should not ill-use or exploit him when he turns to us for aid. Such a religious ideal is the foundation of the credit unions. Without thought of high interest return, they help their members requiring financial assistance in a brotherly spirit. This is an ethical program which contributes to the coming of the Kingdom of God.

WILLIAM GREEN

President, American Federation of Labor

Credit union services are of particular value to union members because they give protection against loan sharks, furnish credit at low cost and encourage savings at a good rate of interest.

PHILIP MURRAY

President,
Congress of Industrial Organizations

The credit union movement in the United States and other countries has made a significant contribution to the welfare of working people.

FRANK W. HUBBARD

Director, Research Division,
National Education Association
of the United States

The credit union is a friendly, useful service par excellence. It extends a helping hand in emergencies; it supports the urge for advance professional training; it builds cultural interests; it makes dreams into realities; it provides opportunities for practicing democracy.

GEORGE M. HARRISON

Grand President, Brotherhood of
Railway and Steamship Clerks

I receive uniformly good reports of the helpfulness of the credit unions that have been formed by members of the Brotherhood of Railway Clerks.

A. S. GOSS

Master of the National Grange

In these days of political promises of Government aid for every conceivable purpose, it is reassuring to note the progress made by the self-help credit union movement. While others are crying for Government help, some millions of our citizens of moderate means and modest income are accepting full responsibility for citizenship, and are prudently providing for the future through these savings and mutual aid institutions. As long as this spirit exists among a majority of our people, we need have no fear for the future of democracy.

JAMES D. PATTON

President, National Farmers Union

The credit union movement in the United States is one of the outstanding self-help developments of our generation. The credit union movement has given new life and vigor and certainly new hope to millions of people who otherwise would never come to feel they could do things for themselves and that they had a part in the total scheme of things.

I. H. HULL

President, Indiana Farm Bureau
Cooperative Association

Indiana credit unions are a valuable addition to our structure. They do help to solve the credit problem. Intangible but real services are the training of children and adults in thrift and in sound financial planning.

JERRY VOORHIS

Executive Secretary,
The Cooperative League of the U.S.A.

The credit unions of the Western Hemisphere, with their five million members, stand today as monuments to the ability of the people to manage their own money and to establish, by their own thrift and wise business management, a basic financial security for themselves and for their families.

I cannot state too strongly my endorsement of the credit union movement. It has lifted the burden of financial anxiety from millions of American families, and will, through the years, serve as a bulwark of stability and a center of hope for our entire country.

WRIGHT PATMAN

Congressman from Texas

Credit unions have long impressed me as a major tool to help people solve their own financial problems.

In Congress I have continuously and warmly supported the full encouragement of federal credit unions, so that everyone in our country might have credit union service, and so that our credit unions might be given full opportunities to serve. Given the chance and encouragement I know credit unions will become, as they have already in large measure become, a true bulwark against the financial exploitation of the people. They help their members get the most good from their money.

ELEANOR ROOSEVELT

United States Delegate
to the United Nations

I have long been familiar with the credit unions and feel they are an important factor in any community.

How To Organize A Credit Union

There are approximately 12,000 credit unions in the Western Hemisphere. They are organized in fifty-seven state and provincial credit union leagues, which are associated in the Credit Union National Association. The leagues and the national association maintain field men, publications and numerous other services designed to help credit unions in their operations and to assist the organization of credit unions wherever the need exists. For further information write Credit Union National Association, Madison 1, Wisconsin.

Basic credit union history and philosophy
by managing director of
Credit Union National Association

The credit union's proper place in history

Upon the sound foundation we have inherited we can build a credit union movement which will mean much to us and to many people



by Thomas W. Doig

MORE THAN 100 YEARS OF CREDIT UNION ACHIEVEMENT

SO FAR we have done little more than lay the foundation of the credit union movement. True, in the United States we have enabling legislation in almost all states and we have the Federal Credit Union Act passed in 1934 so that credit union's cooperative thrift and loan service might be available in every state. We have about 10,000 credit unions, some more than 30 years old. We have over three million members. We have a body of valuable credit union experience to draw from as we expand our work. We have strong credit union leagues and the Credit Union National Association to help pool our credit union experience and to combine our members for more effective credit union action. Credit union members have saved millions of dollars they would not have saved but for their credit unions. Interest rates on small loans have been generally reduced because of the example set by credit unions.

And pretty much the same report may be given for Canadian credit unions, except that they do not yet have a national credit union act.

Elsewhere in the world the foundation has hardly been laid, even though our movement is an outgrowth of and a part of a worldwide movement.

Although a great amount of pioneering still needs to be done in parts of Canada and the United States, in general we have the basic laws pretty well polished by experience and we have developed the methods and organizations which seem to fit best the needs of credit union development. What we need to do now is to use those laws, those methods, those organizations to make credit union service available to every family of wage earners and small farmers in the country. But in doing this it is helpful to keep in mind the historical development of the credit union movement.

Not quite 100 years ago, in 1848, the term "credit union" was used in Belgium by Francois Haeck to describe his cooperative credit society. This society soon became very successful from an investor's viewpoint, but promptly therafter lost its cooperative aspects. It became a rich man's organization.

Earlier than this Robert Owen and the Rochdale Weavers, in England, and other thinkers of the Continent—notably Victor Huber in Germany—were developing many of the cooperative ideas which we have found fundamental to credit union operation, such as "one member one vote," "limited returns on investments," "democratic control," "no discrimination," and "membership owned and controlled."

Germany the Birthplace

Ironically enough from our historical viewpoint, Germany is the birthplace of credit unions as we know them. Almost simultaneously in the middle 1800's Herman Schulze-Delitzsch and Frederick Raiffeisen were trying to do something about the age-old problem offered by the exploitations of the "have-nots" by the "haves."

Bad as are the evils of usury now, as we shall see, they were worse then. Just as they were even worse in the years before that. Written history is largely the story of the virtual and often the actual enslavement of those who had no money by those who had it.

Egyptian and Babylonian manuscripts tell of men selling their souls for enough to buy a little seed which they would laborously cultivate only to owe most of the harvest to the lender.



Frederick William Raiffeisen

The plight of the people of Germany in 1850 was hardly less desperate. In the city and in the country they earned too little. The food and supplies they had to buy cost too much. They were thus the natural victim for the unscrupulous, soulless money lenders.

In the city Schulze-Delitzsche set out to do something about this. In the country it was Raiffeisen. Schulze-Delitsche came first and was the more conservative and materialistic.

Kindly, Cranky Raiffeisen

Raiffeisen has been described as a "kindly, cranky, half-blind, poor and chronically sick philanthropist." As mayor of two country towns between 1846 and 1865 he was increasingly distressed by the plight of his people. His first cooperatives were really not cooperative, but were organizations by which he persuaded the rich folk of his communities to make seeds and supplies available at cost, and to pool funds which the poor people might borrow at low interest rates. One of his first societies provided bread and other food to the destitute at a time of famine.

However, he soon concluded that the generosity of the rich could not be depended upon, and that self-help societies must be developed. He started the first of these, using Schulze-Delitzsche's as a model, in 1864. A year later he retired as mayor of Heddesdorf because of his increasing blindness and ill-health. He was only forty-seven years old.

He had nineteen years yet to live. These he devoted to developing 425 local societies, and a federation of these societies. This federation provided an advisory service, published a semi-monthly paper, and owned a library and a press, promoted the organization of new societies, trained officials, provided insurance contracts, and was in general a forerunner of the Credit Union National Association.

During the last half of the nineteenth century this rural development in Germany served as a model for a similar one in Italy where it was under the leadership of Luigi Luzzatti and Leone Wollemborg, and had the support of the Catholic church. Here the form of our present operation was becoming crystallized. The current practice of requiring a small entrance fee was introduced. Endorsements as security were stressed (Luzzatti called it "capitalization of honesty"). A federation was established. In 1913 there were 2,094 of these rural credit societies in Italy.

Alphonse DesJardins

Credit unions in the United States are modeled after these European credit unions as adopted in Canada, but they also owe an incalcuable debt to the credit societies of India.



Alphonse DesJardins

The father of the Canadian credit unions was Alphonse DesJardins, a journalist of Quebec. He also organized the first credit union in the United States, in the St. Marie Parish of Manchester, New Hampshire, in 1909.

He organized the first Canadian credit union at Levis, Quebec, in 1900 after years of observation of, and concern over, the plight of his community's money borrowers. He served as president of the Levis credit union without pay from its beginning till he died in 1921, when its assets totalled over a million dollars. He also organized over 150 other credit unions with the help of the Catholic clergy. In 1913 the Pope made him a knight of his church in recognition of the value of his service. He was known as the Raiffeisen of Canada.

Massachusetts U. S. A. Pioneer

The first general credit union legislation in this country was passed in Massachusetts in 1909 following an investigation by Pierre Jay, banking commissioner, which revealed not only the need for a weapon to fight loan sharks, but also the weapon. He found some half dozen companies whose employees "organized themselves into savings and loan associations to receive deposits from one another and in turn to lend them to one another." He also studied the European and Canadian cooperative credit movement. As a result hearings were held to consider the advisability of passing legislation recognizing and defining the field of credit unions. In the course of hearings bankers testified that credit unions would not compete with them but supplement their service; Mr. DesJardins came down from Canada to testify; and Edward A Filene, millionaire Boston merchant, testified.

Filene testified that while he was on a trip to India he had happened to meet W. R. Gourlay, who was employed by the British government to travel about Indian villages and form credit societies. Filene had traveled with him for a while and was deeply impressed by the soundness of the idea, and by the service, present and potential, which these societies rendered the desperately poor people they were being organized to serve. He brought home his enthusiasm and infected the legislators with it, and thus played a major part in getting the law passed.

The Extension Bureau

From then on his wealth and his driving interest was largely responsible for the growth of credit unions in this country until his death in 1937, although he did not really get started until 1921, when he established the Credit Union National Extension Bureau, with the help of Roy F. Bergengren, whom he chose as secretary

of the Bureau. In the meanwhile, prior to 1921, three more workable state credit union laws had been passed and 199 credit unions had been organized.

The purposes of the Bureau were set as: 1, to get the needed enabling laws; 2, to organize credit unions to serve as examples; 3, to increase the number of credit unions to the point where, 4, it would be possible to organize self-sustaining state leagues and a national association of those leagues. To boil down to almost nothing a story that is long and thrilling, to those of us who participated in it at least, these four goals were achieved in 1934 when the constitution of the Credit Union National Association was drawn up and signed.

Unquestionably United States would be far behind their present growth if it were not for Edward A. Filene and his Extension Bureau. That is why we recognize a great debt to the Indian credit societies, which first inspired his interest.

Progress Since 1934

Since 1934 progress has of course also been made in these foundation phases of our history. Both state and federal laws are constantly being improved. The state leagues and the National Association are constantly increasing the scope and effectiveness of their operations. We have just now opened offices in Canada and Washington to supplement the work of our head office in Madison. Thanks largely to the activities of the Federal Credit Union Section, under the leadership of Claude Orchard, the number of credit unions in the United States more than doubled between 1934 and the beginning of the war, when the total was 10,456. At the beginning of the war membership had reached 3,532,006 and assets totalled $322,515,000.

During the War

During the war credit union low-cost loans were exceptionally helpful. They enabled war workers to get to their war jobs. They contributed to the morale and efficiency of war workers and fighters by enabling their families to travel with them. They helped workers stay on the job by financing doctor, dentist, and hospital bills.

On the other hand credit union thrift programs helped members save millions of dollars of their extra war earnings, and thus helped fight inflation. Some 2,000 credit unions sold an estimated 400 million dollars in war bonds to their members and to the public. In addition credit unions themselves invested an estimated 200 million dollars of their members' war savings in war bonds.

Government investigators have testified that loan sharks hung, as they said, "like flies" around war plant



Edward A. Filene



Claude R. Orchard

gates to exploit war workers. On pay days at almost any office building or factory you can find the loan shark hard on the heels of the numbers game operator and the racetrack bookie, or very likely slightly ahead of them. He is collecting usurious interest on a small loan—perhaps one dollar for the use of ten dollars for one week. This is an effective interest rate of 520 per cent. He discourages payments on principle, and in fact encourages increase of principle until the borrower is completely at his mercy and driven to desperation. Effective interest charges of more than a thousand per cent per year are still being made.

Days of Slavery Still Here

Yes, the days of economic slavery are still far from things of the past. Credit unions are still fighting on the frontiers of economic civilization. But as I have said I am convinced that even if small personal loans were generally available to the wage earner at credit union rates, there would still be a compelling need for credit union service. Here are my reasons.

One, the primary purpose of the credit union is to help its members develop regular thrift programs. The provision of low-cost credit is the secondary purpose, important though that be. This can be said of no other agency so far as I know. Other agencies which handle savings only encourage them when they can profitably handle them.

Another reason, aside from their low-cost loan service, why credit unions should expand, is that they as a matter of policy are constantly educating and informing their members on ways and means of making their money go farther; on money management. Their publicity, as well as the council of their treasurers and credit committees contribute largely, and will contribute increasingly, to the adoption of common sense buying programs. By precept and example credit union members help each other raise their standards of living on any earned income, just as by contributing to their members' efficiency and contentment, they help their members earn greater incomes.

Control 400 Million Dollars

A fourth reason why credit unions are needed is that they provide one means of obtaining economic democracy. It had been truly said that we may not have political democracy unless we have and only to the extent that we have ecomonic democracy. Credit unions are owned, operated and controlled by their members. We should never forget the significance in this regard of the fact that the money saved and borrowed in the credit union is furnished by members and is controlled by the members, through committees chosen by and from the members. Much of the 400 or more million dollars now owned and controlled by credit union members would not be so controlled if it were not for credit unions.

If we bear in mind that credit unions have only begun to cover their field we can see the potentials of this tool for economic democracy.

Practically every economic and political leader, whether on the left of center or the right, agrees that monopolies offer democracy perhaps its greater danger. The monopoly of wealth means slavery for the mass of people. Credit unions are a means of preventing that monopoly from developing.

So we will say that the credit union has a four-fold program.

One, regular thrift habits for all wage earners and small farmers.

Two, convenient, confidential, low-cost credit.

Three, education in the wise use of money.

Four, democratic control of money.

Extra Services Provided

Credit unions are of course chartered by state, provincial or federal government. But the credit union function of government is supervisory in nature almost entirely. As a matter of public policy in most cases the ability of government to render advisory, organizational, or promotional service is exceedingly limited.

Most credit union leaders agree both that these extra services are necessary to all credit unions, and that they should be rendered by a volunteer organization of the credit unions themselves.

Why are these services necessary from the point of view of the individual credit union? Why should a credit union now existing want to help organize new credit unions? Aside from the humanitarian answers that the credit union wants to pass on benefits of the good thing it has found, there is the ever present truth that in numbers there lies strength. The ability to provide credit union operating and promotional supplies at lowest cost; the ability to provide bonding and insurance services at lowest cost; the ability to guard against enemy forces most effectively; the ability tc draw upon the maximum pool of credit union experience and advice; in brief the ability of the individual credit union to obtain maximum growth and strength, depends upon the extent to which other credit unions are organized and operated soundly and united for the common good.

What Is It?

Well, then given the need and the justification for the volunteer, organized credit union movement, just what is that movement as it now exists?

First there is the credit union, made up of a group of individuals with some common bond of occupation, association or residence, organized according to cooperative principles to provide the four-fold service we have already discussed. Then where convenient these are loosely organized into local or county chapters for exchange of ideas and assistance. Above this the



Roy F. Bergengren

this the individual credit unions are more formally organized into provincial and state leagues, usually with a paid staff of at least one.

The leagues are united into the federation called the Credit Union National Association or CUNA. CUNA obtains for credit unions low cost bonding. It gives personal advice and assistance through a field staff as well as by correspondence. It publishes the Credit Union Bridge, a monthly publication dealing with credit union operating and promotional problems. It serves as a clearing house for the development of all phases of credit union action, including legislative, organizational, and promotional. It also has two affiliate organizations.

Its affiliate the Cuna Mutual Insurance Society provides loan protection insurance, life savings insurance, home protection insurance, and individual life insurance. All of these are specially designed for credit unions and their members and are provided at low cost.

Its affiliate Cuna Supply Cooperative provides operating promotional supplies, also especially designed for credit unions in most cases at substantial savings.

Ultimately Controlled

Like the credit unions themselves these organizations are all ultimately owned and controlled by the credit union members. The members elect their representatives to the annual meeting of the league. These in turn elect the league directors, who choose the managing director, decide policy matters, and elect delegates to the annual meeting of the Credit Union National Association. That meeting chooses an executive committee which runs the affairs of the Association during the year. This includes the selection of the managing director. In other words through their established lines of authority and under policies for which they are responsible, I and my staff work for the individual credit union members. They are the boss.

Notice particularly my statement "for which they are responsible." Like all democratic organizations, the credit union and the organizations of credit unions which we are discussing are just as strong and no stronger than their members make them. Potentially, on the drafting board, we might say the credit union movement has a great future of service. How much that future is realized depends upon how well you and I and all credit union workers succeed in firing the people with the inspiration which moved Robert Owen and the Rochdale Weavers; which moved Herman Schulze-Delitzsche, and Frederick Raiffeisen, and Luigi Luzzatti, and Leone Wollemborg; which moved Alphonse DesJardins, and Edward A. Filene, and Roy Bergengren and Claude Orchard.

Certainly such inspiration is desperately needed now if credit unions and other socially progressive movements are to make headway against the forces of evil which are obstructing our climb to the ideals which are already so clearly in view, but still so far from our final reach. We have much to do. Let all of us people of good will join our forces and do it.

Let us help you save and borrow wisely.

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Co-ops spread from Nova Scotia to the Caribbean, where

Padre Pablo Teaches Hope

By Irene Corbally Kuhn

The Dominican Republic is being marvelously transformed. The people there are nominally Catholic, but large numbers of them are lax morally, due to centuries of poverty, exploitation and neglect. Now they are learning the way to self-respect and a better life because 25 years ago a young man in Eastern Canada saw the violence of communist-led strikes in Nova Scotia, his homeland.

It took little then to provoke bloody riots. The inhuman living conditions of the coal miners and steel workers provided the tinder of resentment out of which the flames of violence flared. Angry men burned down company-owned stores, and put the torch to churches.

The tragedy was burned into the young man's brain. He joined wholeheartedly in the efforts of some rural priests to counteract the evils which provoked the tragedy. These far-seeing men started the Indian-named Antigonish movement to combat communism with adult education and cooperatives; to teach exploited people how to help themselves out of their poverty.

It was his training in the movement that enabled him seven years ago to start the Antigonish movement in the Dominican Republic. He thus established a beachhead of moral strength and human dignity against communism.

The 17-year-old Canadian, who was inspired by the work of Father Jimmy Tompkins and other simple priests, became a priest himself. He is Father John Harvey Steele, but in Ciudad Trujillo and all over the Republic he is known as Padre Pablo.

Father Steele is a member of the Scarboro Foreign Mission society. He worked in Chekiang province in China from 1938 until 1945, when the Japanese drove him out. He spent the war years in Chungking, and was army chaplain with General Chennault's Flying Tigers.

It was in China that he came in contact with communism again. "I know the communists' methods," he said. "So when I was sent to the Dominican Republic in 1946 it didn't take me long to realize that these people were ripe for communism.

"Talk about exploitation!" Fa-

ther Steele said. "Why! Usury is almost a national occupation. It is illegal but it's impossible for the government to control it. People have paid more than 1500% interest on a loan of $10.

"In the Dominican Republic, 20% of the farmers are totally illiterate; many others can barely read or write. They have a passive mentality, with few ideas and fewer ideals. The only way to help them was not to do things for them, but to work with them and teach them how to do things to help themselves."

Father Steele started off experimentally by establishing a few small study groups and credit unions.

"Everybody said I was crazy. Credit unions are based on honesty; and these people were not honest, I was told. Others said that the government wouldn't permit the credit unions.

"Well, they were wrong on both counts. I had setbacks and disappointments, but I never lost faith. While I was testing the practicability of the whole idea in my spare time in Boyá it came to me that I couldn't succeed in that small village in the interior. It was too remote. I had to work from the outside in, from places closer to towns and cities.

"I started again in Manoguayabo, a small village, too, but only ten miles from Ciudad Trujillo, the capital, where the people are more progressive. The movement began to take hold in Manoguayabo, and in Yamasá, and Bayaguana. Those three original groups are still going strong."

Two years ago, when the practicability of the movement was established, Father Steele began to give his full time to it. It was then that the President of the Republic sent for him and asked him to extend the movement as quickly as possible to all parts of the country. Since then, 15 other Latin-American countries have sought to send men to study under him the techniques of adult education and credit unions.*

"From all indications, this is only the beginning of a steady stream of visitors from all over Latin America to study with us," he said. "I would like nothing better, for I believe we need to extend our idea to prevent the spread of communism over all Latin America. It already has a foothold in Guatemala; it is underground in many other places, ready to take over at the right moment. But I have no place for these people to live. I need money to build and equip a place to house these people."

The pilot plant which Father Steele sets up operates in simple fashion. He asks the parish priest or a bright layman in the village to call a meeting. Usually every man in the village attends.

*Headquarters are at Apartado 386, Ciudad Trujillo, Dominican Republic.

cities, the government has a real problem which could be ruinous for a country whose economy is 80% agricultural."

Father Steele sympathizes with the young people. "They get up with the sun and go to bed with the sun," he said. "They have little contact with their neighbors, no social life at all. This is the basic reason for their immorality, too, for the utter boredom of such a life drives a man to drink, and from that point on anything can happen. I want to see my embryo libraries grow; I want to build a real social life for the people; and bring in electricity so that they can have movies and dances."

Improvement in social life is almost as important as the success of the second step in the movement which Father Steele now has under way, cooperative buying and selling.

The credit union of Yamasá was one of the first to pool its products for sale, and the members have received 100% more than in previous years for their coffee, chocolate, rice, and corn.

In seven years, Father Steele has set up 75 groups with a total membership of 15,000 men, who have saved $200,000 from their meager earnings. Twenty-five credit unions have been chartered to date. The money so far has been used only for loans, and usury is fading away. The people have had to learn simple bookkeeping and computation of interest, and prove by examination that they can handle a credit union before it is chartered.

"You would be thrilled to see how proud and happy people can become by doing things for themselves," Father Steele said. "At a meeting one night when I was preaching thrift, a man got up and said it was too hard to save 25¢ a week. I agreed that it was a difficult thing to do.

"Another man asked to speak. He stood up and said, 'It is difficult but it is not impossible. I am 45 years of age. I have a wife and seven children, and I earn $4 a week.

" 'I put 25¢ into the credit union every week. At the end of three months I have $4.75 there, and my kids have not eaten less. They are all fat and healthy. I say, God bless the new way of life Padre Pablo has brought here. How different things would be for me if somebody had thought of this years ago.' "

"I congratulated the man," Father Steele went on. " 'You ought to be a professor of economics in a college,' I told him."

Father Steele smiled. "You know, they have even taken the language of the credit union to confession," he related. " '*Padre, me voy darle la contabilidad de mis pecados,*' they'll say—'Father, I want to give you the bookkeeping of my sins.'

"I speak to them in their own language—*campesino* Spanish, the

ther Steele said. "Why! Usury is almost a national occupation. It is illegal but it's impossible for the government to control it. People have paid more than 1500% interest on a loan of $10.

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"I try to shock them, for they are usually indifferent. So I point out to them the way other people live; I tell them they are dolts, dupes, dummies to live as they do; that people could not take advantage of them if they'd think for themselves.

"I try to show them that money can be had through the development of intelligence; that there is a better way of living than they know, and that to get that better life they must think about what they can do to improve conditions around them. I also stress the point that they must all work together.

"I have to repeat everything hundreds of times. Then, often, a tragedy takes place, shocks them, and helps me put over my point better than a thousand repetitions. For instance, in one section, the farmers lost 50% of their year's income from their chocolate and coffee because heavy rains turned the roads into bogs.

"Many Dominican farmers are so poor that they can't go to market. They have no trucks, carts nor transport animals. The produce merchants come to them, and this, incidentally, has led to another dreadful kind of exploitation. The farmer has to take what the buyer offers him. He can't bargain when he has perishable goods.

"In this mud-bound chocolate and coffee section, the buyers' trucks couldn't get in. If the farmers had been able to buy a few pack animals or a small truck they could have saved themselves. I hammered this point home, and they immediately formed a credit union."

Father Steele's second step is to set up study groups. These include 20 or 30 at first, more and more as the word spreads and the idea takes hold.

"We begin to talk about the virtues of thrift, and teach the people to save. Their mentality is against saving. We have to talk and talk, and point out by example how the little saved each week will make a man independent.

"A man is expected to save $10 a year at the rate of 25¢ a week. In a country where the average farmer's income is around $400 a year, that is a lot of money. Once the habit of saving is established, and they see results from it, we're on our way to success. Then, when they are ready, we form a credit union. The credit union is basic."

Padre Pablo, so called because the Dominicans can't pronounce his family name and there were too many other Father Johns when he arrived there, is an excellent psychologist. He binds the credit-union savings books in bright colors.

When a member deposits his first 25¢ the amount is entered in his pass book, stamped and initialed. He is proud of the book, and carries it around in his shirt pocket for everyone to see.

"What do these simple, childlike people study?" I asked Padre Pablo. "What holds them and brings them back week after week?"

"We concentrate first on the techniques of running a credit union," he replied. "And we keep hammering on the basic idea: that there is strength in unity. For those who can't read or write we have simple methods of teaching the three R's. We teach them better farming methods, something of home life, how to bring up their children better. And always we keep stimulating them to want a better life, and education for their children, as the means of a better life for them.

"I tell them how capitalism works, and I explain the basic principles of free enterprise. I point out the evils of socialism and communism. I tell them stories, to show how others like themselves have improved their lot by saving."

He has also introduced 15 minutes of Catholic doctrine into the study groups. "I've been criticized for doing that," he said, "but I'm working in all-Catholic communities, and it is essential that we have morality among the people if we are going to help them build a decent standard of living.

"There is a high rate of illegitimacy. Therefore, we are trying to encourage proper respect for marriage and a stable family life. A man is given a year to decide if he will marry and live with one woman. If he decides against it, out he goes. Interestingly enough, after a year of study a man has usually absorbed enough of the basic elements of civilized living to make him want to marry."

Father Steele paused reflectively. "A priest can preach morality until doomsday, but if the people are hungry he will get nowhere. A man without food reverts to the animal. Again, after his needs at that level have been satisfied, you must appeal to his reason and give him incentives to substitute good habits for bad ones.

"Take the case of the man I'll call Juan Martinez. He had been a taxi driver for 25 years when I met him, and he was a low specimen, indeed. He had seven kids and they lived in an old broken-down shack. His cab was an old wreck, too. Now he has a seven-passenger station wagon, a decent home, three kids in high school. He spends two nights a week organizing and teaching two other groups of men the new way of life he's discovered. In four years he has become a model citizen.

"The farther we can extend our study groups the more we can encourage local, regional, and country-wide meetings," Father Steele said.

"Each group now has its social hall. This is a means of building a rural social life to keep the youth on the land. In the flight of the young men from the farms to the

cities, the government has a real problem which could be ruinous for a country whose economy is 80% agricultural."

Father Steele sympathizes with the young people. "They get up with the sun and go to bed with the sun," he said. "They have little contact with their neighbors, no social life at all. This is the basic reason for their immorality, too, for the utter boredom of such a life drives a man to drink, and from that point on anything can happen. I want to see my embryo libraries grow; I want to build a real social life for the people; and bring in electricity so that they can have movies and dances."

Improvement in social life is almost as important as the success of the second step in the movement which Father Steele now has under way, cooperative buying and selling.

The credit union of Yamasá was one of the first to pool its products for sale, and the members have received 100% more than in previous years for their coffee, chocolate, rice, and corn.

In seven years, Father Steele has set up 75 groups with a total membership of 15,000 men, who have saved $200,000 from their meager earnings. Twenty-five credit unions have been chartered to date. The money so far has been used only for loans, and usury is fading away. The people have had to learn simple bookkeeping and computation of interest, and prove by examination that they can handle a credit union before it is chartered.

"You would be thrilled to see how proud and happy people can become by doing things for themselves," Father Steele said. "At a meeting one night when I was preaching thrift, a man got up and said it was too hard to save 25¢ a week. I agreed that it was a difficult thing to do.

"Another man asked to speak. He stood up and said, 'It is difficult but it is not impossible. I am 45 years of age. I have a wife and seven children, and I earn $4 a week.

" 'I put 25¢ into the credit union every week. At the end of three months I have $4.75 there, and my kids have not eaten less. They are all fat and healthy. I say, God bless the new way of life Padre Pablo has brought here. How different things would be for me if somebody had thought of this years ago.' "

"I congratulated the man," Father Steele went on. " 'You ought to be a professor of economics in a college,' I told him."

Father Steele smiled. "You know, they have even taken the language of the credit union to confession," he related. " '*Padre, me voy darle la contabilidad de mis pecados,*' they'll say—'Father, I want to give you the bookkeeping of my sins.'

"I speak to them in their own language—*campesino* Spanish, the

Spanish of the peasant and the lowly. It's all I know."

It's a lot. It is working wonders in the Dominican Republic. If Father Steele can raise $30,000 before autumn he can start working the same wonders all over Latin America by teaching men who want to come and learn how he does it. His little pilot plant in human dignity can become the model not only for Latin America but for the backward areas of Asia and Africa, too, bringing human beings up from the depths to the great heights of man's understanding of his relationship to God. And godless communism will have met its master in men who know that God is within them.

For additional information about credit unions and how they may be organized, without cost or obligation, write

Credit Union National Association
Filene House
Madison 1, Wisconsin

a non-profit organization supported by credit union people themselves, so that more people may enjoy credit union benefits.

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NEWS

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March 19, 1954

FIJI SETS A NEW PATTERN FOR THE FUTURE

South Pacific Islanders Adopting Self-help Credit Union Plan

Note to Editors: Additional information and photos on this story available upon request.

Wonderful things are happening in Fiji these days — have been ever since an American visitor arrived on the Islands only a few months ago.

In villages like Lami and Kolokolevu . . . in the bustling capital city of Suva . . . the people are finding new hope and promise in a self-help plan he came to teach them. Eagerly, they're banding together to form their own credit unions.

And why should the century-old credit union idea have stirred up such excitement in Fiji . . . ?

It's the age-old story. Even here, where nature is so open-handed with her gifts, man must have money to live. Tenant farmers have to pay rent, buy lamp oil and cotton goods. Indians, who make up a large part of the population, have to cover expensive social obligations (the cost of a proper marriage or funeral ceremony runs high). And the man who can't meet his money needs has two choices: put himself in the hands of a high priced money lender . . . or do without.

At least those were the alternatives until Father Marion Ganey arrived late last November with a third choice, the credit union plan. He helped Fijians discover what millions of people in other countries have already learned; that by pooling their savings to provide each other with low-cost loans, they could break the stranglehold of the money lenders — and at the same time, build for the future.

It was familiar sort of work for the Illinois-born missionary. For years now, Father Ganey has been the mainspring of the credit union movement in British Honduras,

(more)

traveling from village to village introducing the idea. Perhaps the best indication of his success there is the storm of opposition he has managed to arouse in the enemy camp. Throughout the Carribean colony, men who fattened on their neighbors' misfortunes have come to cringe at the sound of his name. One of them, feeling the pinch of a lean year for usury, complained bitterly to church authorities, "I have looked everywhere in the Christian Bible and nowhere do I find the words 'credit union'. This man is an imposter!"

The rest of British Honduras takes quite another view. Everywhere, Father Ganey's credit union work has won him the gratitude of the people and the support of government officials. In fact, it was Sir Ronald Garvey, former Governor-general of British Honduras, who was responsible for the American missionary's assignment in Fiji. Transferred to the governorship of the South Pacific colony, Sir Ronald sent an invitation to his old friend . . . Could he come and help the credit union idea take root in Fiji?

Father Ganey could . . . and would. On temporary leave from British Honduras, he set out for Suva.

The day of his arrival he began learning some of the problems he would be up against — and they made an impressive list. To begin with, there was the language situation. Fiji is a mixture of many peoples and many tongues; the streets of Suva echo with Hindi and Samoan as well as English and Fijian. That meant teaching material would have to be translated into as many languages.

Secondly, there was the matter of geography. No matter how good a sailor he turned out to be, Father Ganey knew it would take a strong constitution and a growing fondness for ocean travel to withstand the long series of island-hoppings ahead of him.

Third, and most disturbing of all, was the problem of <u>kere-kere</u>. Under this custom, still practiced in many native villages, a token payment gives your neighbor the right to ask for anything you own as an outright gift. If he admires your fruit tree or farm equipment, your plain duty is to hand it over, for refusal would be the height of bad manners. Small wonder, then, that <u>kere-kere</u> loomed as a major obstacle; it seemed to make saving a social error, rather than a virtue.

(more)

But if Father Ganey faced a full quota of problems in Fiji, he also had some powerful help. In addition to the backing of Governor Garvey, he came to the Islands with the pledged support of the Credit Union National Association — a non-profit organization of credit unions throughout the Western Hemisphere. CUNA, as it is most widely known, is dedicated to promoting the credit union idea all over the world. From its headquarters in Midison, Wisconsin, it had helped Father Ganey carry on his work in British Honduras. And when he wrote of the opportunity in Fiji, CUNA was quick to respond. Soon, package after package of materials was making the long journey from the American Midwest to the South Pacific — posters, charts, pamphlets, even a print of a credit union movie.

With this ammunition on hand, Father Ganey began to do battle in earnest. A typical day on the whirlwind schedule he set himself might start with a trip to an outlying village. There, the headman would summon the menfolk by beating on a hollow log, and they would come and sit cross-legged on grass mats, listening solemnly to the American visitor explain how they could save money together and help each other with loans at low interest.

Often, he would find his arrival the occasion for a great ceremony. Before he spoke, he would be invited to enter the chief's house, where according to intricate ritual, he accepted the gift of a whale's tooth, highest honor a Fijian can bestow. Later, there was usually a meke, or festival dance, commemorating his visit.

In the afternoon, there might be talks with officials of the Colonial Sugar Company, largest of the Islands' industries. Or with the city police force . . . or the men who mine Fiji's rich gold deposits.

Evenings were usually spent whipping up enthusiasm among Suva's leading citizens.

It was a dizzying pace, but it brought results. Little more than a month after he arrived, Father Ganey could see the first fruits of his labor; the people of Fiji owned and operated two credit unions.

A good beginning, he felt, but still not all he had hoped for. Neither of the new credit unions had been formed by an all-Fijian group, and there he saw his greatest

challenge. Was the credit union idea hopelessly in conflict with kere-kere or could they exist side by side . . . ?

The following month, the villagers of Kolokolevu provided the answer by establishing the first all-Fijian credit union. Proudly they explained, "We have a custom here of kere-kere and we understand it. We also have the credit union, and we understand that too, about the loans and the repayment obligation and the interest. Being able to distinguish between the two, we can fulfill our obligations to each and never confuse them in our thinking."

Today, Kolokolevu is one of ~~six~~ 11 flourishing credit unions in Fiji. And like the others, it already has an impressive record of accomplishment, a record the neat black and white figures piling up in the account books only hint at. Behind the entry for the first loan, for example, is a thrilling story of triumph shared by the whole village. According to the record it went to help two fishermen buy their own nets, simply that. But what the record doesn't reveal is that those fishermen are now free of bondage to the local shopkeeper, no longer forced to turn over half of each day's catch in payment for the use of his net. Through the credit union, they have become their own masters. More, they have become symbols of the new feeling of freedom and independence that has come to Kolokolevu.

Word of this story — and others like it — has kindled sparks of enthusiasm throughout all of Fiji. Each day brings more and more requests for Father Ganey to come "so that we too may share in this miracle of the credit union." Total strangers now stop him on the streets of Suva, anxious to discuss fine points of the plan. And when he speaks before a local gathering, villagers from miles around hurry to the scene . . . many of them traveling by foot over rough back-land paths, overhung with tropical foliage.

Summing up the reaction of the Islanders, a Fijian language paper had this to say recently: "In the short time Governor Garvey has held office here, he has scored two great accomplishments; inviting the Royal couple to visit us... and inviting Father Ganey and credit unions to come to Fiji."

(Including the six organized in Fiji — there are now 18,411 credit unions in the Western Hemisphere, with close to nine million members. The majority are organized among industrial workers, but they also serve neighborhood groups, parishes, fraternal societies, farm organizations, government employees and labor unions. Each credit union is an entirely separate corporation, owned and operated by its members under government charter.)

MODEL CREDIT UNION LAW

As approved by the

EXECUTIVE COMMITTEE
of the
CREDIT UNION NATIONAL ASSOCIATION, INC.

May, 1948

Sec. 1. Definition and Purpose. A credit union is hereby defined as a cooperative, nonprofit association, incorporated in accordance with the provisions of this act for the purpose of creating a source of credit at a fair and reasonable rate of interest, of encouraging habits of thrift among its members and of providing the opportunity for people to use and control their savings for their mutual benefit.

Sec. 2. Organization. Any seven or more residents of the _____ of _____ of legal age who have a common bond referred to in Section 6 may organize a credit union and become charter members thereof by:

1. Executing in duplicate, articles of incorporation by the terms of which they agree to be bound, which articles shall state:
   (a) The name, which shall include the words "credit union" and which shall not be the same as that of any other existing credit union, and the city or town wherein the proposed credit union is to have its principal place of business,
   (b) The term of existence of the credit union which may be perpetual
   (c) The par value of the shares of the credit union which shall be five (5) dollars,
   (d) The names and addresses of the subscribers to the Articles of Incorporation, and the number of shares subscribed by each, and
   (e) That "This credit union may excercise any or all the powers conferred upon it by this Act";

2. Preparing and adopting bylaws for the general government of the credit union consistent with the provisions of this act and executing same in duplicate;

3. Forwarding the articles of incorporation and the bylaws, both in duplicate, to the Secretary of State, who shall determine whether said articles and bylaws conform with the provisions of this act and notify the signers, or their representative, of his decision. If it be favorable he shall issue a certificate of approval, attached to the articles, and indicate his approval of the bylaws by proper notation thereon and return a copy of the bylaws and both copies of the articles to the applicants or their representative, except that no such approval shall be given to a group whose members are already eligible to membership in an existing credit union unless approved by the Advisory Commission.

4. Forwarding to the Secretary of State a charter fee of five (5) dollars and filing the articles of incorporation with the certificate of approval attached thereto with the county recorder of the county wherein the credit union is to have its principal place of business, whereupon the applicants shall become and be a credit union, incorporated in accordance with the provisions of this act.

   The Recorder shall, after recording and indexing the same, return said articles to the Secretary of State. Upon receipt of the recorded articles of incorporation and the charter fee, the Secretary of State shall, within five (5) days, issue a charter and forward same to such credit unions.

5. No newly formed credit union shall transact any business until it shall have received its charter, except that business which may be transacted at the organization meeting by the members and at the first meeting of the Board and Committees following such meeting.

In order to simplify the organization of credit unions, the Secretary of State, upon the taking effect of this act, shall cause to be prepared a form of articles of incorporation and a form of bylaws, consistent with this Act, which may be used by credit union incorporators for their guidance. Such articles of incorporation and bylaws shall be available without charge to persons desiring to organize a credit union.

Sec. 3. Amendments. The articles of incorporation or the bylaws may be amended by (1) the favorable vote of three-fourths of the members present at any regular or special meeting, provided such number constitutes a quorum, and provided further that the notice of the meeting contained a copy of the proposed amendment and (2) submitting the proposed amendment in duplicate to the Secretary of State who shall, if he determines that such proposed amendment conforms to the provisions of this act, return one copy with his approval noted thereon to the Secretary of the credit union within thirty days.

No amendment shall become effective until approved in writing by the Secretary of State for which no fee shall be charged. Amendments to the articles shall, after approval by the Secretary of State, be filed with the County Recorder in the same manner as new articles.

Sec. 4. Restriction. Any person, corporation, co-partnership, or association, except a credit union organized under the provisions of this Act or under the federal credit union Act or except a central organization of credit unions to which all of the credit unions in this state shall be eligible and except chapters of credit unions to which all credit unions in given areas shall be eligible, using a name or title containing the words "credit union" or any derivation thereof or representing themselves, in their advertising or otherwise, as conducting business as a credit union shall be fined no more than $500 or imprisoned no more than one year or both; and may be enjoined from using such words in its name.

Sec. 5. Powers. A credit union shall have power (a) to make contracts; (b) to sue and be sued; (c) to adopt and use a common seal and alter same at pleasure; (d) to purchase, hold, and dispose of property necessary and incidental to its operation; (e) to require the payment of an entrance or membership fee of not more than 25¢ of any applicant elected to membership; (f) to receive the savings of its members either as payments on shares or as deposits, including the right to conduct Christmas savings clubs, vacation clubs, and other such thrift organizations within the membership; (g) to lend its funds to its members as hereinafter provided; (h) to purchase insurance on the lives of its members in an amount equal to their respective share, deposit and loan balances or any or all of them; (i) to borrow from any source in an aggregate amount not exceeding 50% of the sum of its share and deposit account balances; (j) to invest surplus funds as hereinafter set forth; (k) to make deposits in national, savings, and state banks and trust companies operating in accordance with the laws of the United States or the state of _____; (l) to fine members in accordance with the bylaws for failure to meet promptly their obligations to the credit union; (m) to have membership in a central credit union and in the _____ Credit Union League; (n) to act as the fiscal agent for the federal government, the State of _____, or any of the sub-divisions thereof; (o) to declare dividends as hereinafter provided; (p) to maintain educational activities consistent with the scope of its services; (q) to impress a lien upon the shares, deposits, dividends and accumulation of interest on deposits of any member to the extent of any loans made to him directly or indirectly, or on which he is surety and for any dues or fines payable by him; (r) to change its place of business to any other city or town

within the county on written notice to the Secretary of State and to any other city or town in the State of _____ by giving written notice to the Secretary of State and re-filing its articles of incorporation with the county recorder of the county in which the city or town to which removed is located; (s) to exercise such incidental powers as may be necessary or requisite to enable it to carry on most effectively its purposes.

Sec. 6. Membership. The membership of a credit union shall be limited to and consist of the subscribers to the articles of incorporation and such other persons having the common bond set forth in the bylaws as have been duly elected members, have paid the entrance fee as provided in the bylaws, have subscribed for one or more shares, have paid the initial installment thereon, arranged for payment of the balance as provided by the bylaws, and have complied with such other requirements as the articles of incorporation or bylaws may specify. Credit union organizations shall be limited to groups having a common bond of occupation or association or to residents with a well-defined neighborhood, community, or rural district, employees of a common employer, or members of a bonafide fraternal, religious, cooperative, labor, rural, educational, or similar organization and members of the immediate family of such persons. Societies, associations, co-partnerships and corporations composed for the most part of individuals who are eligible to membership may be admitted to membership in the same manner and under the same conditions as individuals.

Sec. 7. Fiscal Year. The fiscal year of all credit unions organized under their act shall end on the last day of _____.

Sec. 8. Meetings. The annual meeting shall be held at the time and place indicated in the bylaws. Special meetings may be held on call of the board of directors or the auditing committee, and shall be held upon the request in writing of 10% of the members or any twenty-five members whichever is the smaller. The notice of all meetings of the credit union shall be given in the manner prescribed in the bylaws. At all such meetings a member shall have but one vote irrespective of his share holdings. No member may vote by proxy, but a society, association, co-partnership, or corporation, having membership in the credit union may be represented and vote by one of its members or share holders provided such person has been duly authorize d by the governing board of said society, association, co-partnership, or corporation so to represent it. The members at any meeting may modify amend or reverse any act of the board of directors or instruct it to take action not inconsistent with the bylaws or of this act.

Sec. 9. Board of Directors. At the organization meeting there shall be elected a Board of Directors of not less than nine members to hold office for such terms as the bylaws provide and until successors are elected and qualify. At each annual meeting there shall be elected one member to fill each position vacated by reason of expiring terms or other causes. All election shall be written ballot if there is more than one nominee for each position.

Sec. 10. Officers and Committees. Within five (5) days following the organization meeting and each annual meeting the directors shall elect from their own number a president, vice-president, treasurer and secretary, of whom the last two may be the same individual, and also a credit committee of not less than three (3) members and an auditing committee of three (3) members.

Within ten (10) days after election to any position, each person so elected shall execute, in duplicate, an Oath of Office by which he agrees to accept, and to diligently and faithfully carry out, the duties and responsibility of the position to which he has been elected and not to negligently or willfully violate, or permit to be violated, any provision of this law or the bylaws of such credit union.

Likewise, the president and secretary shall execute, also in duplicate a Certificate of Election, which shall set forth the names and addresses of the officers, directors and committeemen elected.

Both the Oath of Office and the Certificate of Election shall be executed on forms prepared by the Secretary of State and one copy of each shall be filed with him within fifteen (15) days after such board meeting.

The terms of the officers and committeemen shall be one year or until their successors are chosen and have duly qualified.

The president together with the treasurer shall sign all conveyances of property. The secretary shall keep minutes of all meetings of the members and of the board of directors. The treasurer shall give bond at the expense of the credit union for the faithful performance of duties, shall deposit all cash within forty-eight (48) hours of its receipt, and not later than the fifteenth day of each month shall post or cause to be posted in the office of the credit union, or, if it has no office, in a place readily accessible to the general membership, a financial statement as of the end of the preceding month. Such statement shall set forth the income and expense of the credit union for the fiscal year to date and a balance sheet. The further duties of the officers shall be set forth in the bylaws, except that the treasurer shall be the general manager.

Sec. 11. Powers of the Board of Directors. The Board of Directors shall have the general management of the affairs, funds, and records of the credit union and shall meet as often as may be necessary, but not less than once each month. It shall be the special duty of the Directors (a) to act upon applications for membership; (b) to fix the amount of surety bond which shall be required of the treasurer and of each other officer and employee having the custody of funds or property (c) to determine from time to time the rate of interest consistent with the provisions of this act which shall be charged on loans; (d) to declare dividends in the way and manner hereinafter set out; (e) to determine the interest rate which will be paid on deposits; (f) to limit the number of shares which may be owned by one member and the amount that one member may have in the deposit account, such limitation shall apply alike to all members; (g) to fill vacancies occurring between annual meetings in the board of directors and in the committees until the election and qualifications of their successors; (h) to fix from time to time the maximum amount, both secured and unsecured, which may be loaned to any one member; (i) to have charge of the investment of surplus funds; (j) to authorize the employment of such person or persons as may be necessary to carry on the business of the credit union and to fix the compensation of such employees including the treasurer; (k) to authorize the conveyance of property (l) to borrow money to carry on the functions of the credit union; (m) to perform such other duties as the members may from time to time require; (n) to recommend to the members amendments to the bylaws; (o) to suspend any or all members of the credit and auditing committee for failure to perform their duties; and (p) to perform or authorize any action consistent with this act not specifically reserved by the bylaws for the members.

Sec. 12. Credit Committee. The Credit Committee shall have the general supervision of all loans to members. It shall be the duty of the Credit Committee to review all applications for loans, to ascertain whether or not such loan would benefit the applicant, and to determine whether or not the security offered, in their judgement, is sufficient and the terms proper. The Credit Committee shall meet as often as may be required after due notice has been given to each member thereof, but not less than once a month, shall keep record of all meetings, and shall make a report to the board of directors each month and to the members at the annual meeting. It shall have the power to perform any act consistent with this section.

Sec. 13. Auditing Committee. The Auditing Committee shall (a) make an examination of the affairs of the credit union at least once every three months, which examination shall include an audit of its books and an inspection of the securities, cash, accounts, and loans; (b) ascertain that all actions by the board and the credit committee are in conformity with this act and the bylaws of the credit union; (c) make a written report to the board of directors of the credit union of its findings

following each examination; (d) make an annual audit and a written report and submit same to the members at the annual meeting; (e) verify the passbook of the members with the accounts of the treasurer annually. This committee shall have the power, by unanimous vote of the entire committee called for the purpose, to suspend any officers, any or all directors, or any or all members of the credit committee or by a majority vote to call a meeting of the credit union to consider violation of this act or of the bylaws. Within ten days after the suspension of any officer, director, or member of the credit committee, the auditing committee shall lay the matter before a special meeting of the credit union. The members at said meeting may sustain such suspension and remove such suspended officer permanently, or reinstate said officer.

Sec. 14. Compensation. No officer, except the treasurer, director or committee member, jointly or severally, shall receive any compensation, directly or indirectly, for the services he performs for the credit union as such officer, director or committee member. The treasurer's compensation shall be fixed on the basis of service rendered and not on the basis of earnings of the credit union. This shall not be construed to prevent such directors and committeemen being reimbursed for any expenses they may be put to in carrying out duties of their office.

Sec. 15. Shares. A share is hereby defined as a term applied to each five dollars standing to the share account of a member. No certificate shall be issued to denote ownership of a share in a credit union. Shares may be subscribed and paid for in such manner as the bylaws may prescribe. With the approval of the board of directors fully paid shares may be transferred to any member without charge. The credit union shall have and may exercise a lien on the shares and deposits of any member for any sum due the credit union from said member or for any loan endorsed by him. The shareholders of a credit union shall not be individually liable for the payment of its debts.

Sec. 16. Deposits. A credit union may receive the savings of its members on deposit in accordance with the provisions of the bylaws.

Sec. 17. Thrift Clubs. Christmas Clubs, Vacations Clubs and other thrift clubs if provided for the use of members, shall be operated in accordance with such rules and regulations as the Board of Directors may prescribe.

Sec. 18. Joint Accounts. A member may designate any person or persons to hold shares, deposits, and thrift club accounts with him in joint tenancy with the right of survivorship, but no joint tenant, unless a member in his own right, shall be permitted to vote, obtain loans, or hold office or be required to pay an entrance fee. Payment of part or all of such accounts to any of the joint tenants shall, to the extend of such payment, discharge the liability to all.

Sec. 19. Minors. Shares may be issued and deposits accepted in the name of a minor and such shares and deposits may be withdrawn by such minor and payments made on such withdrawals shall be valid. No such minor under sixteen (16) years of age shall be entitled to vote in the meeting of the members either personally or through his parent or guardian, nor may he become a director until he shall have reached his eighteenth (18th) birthday.

Sec. 20. Trust Accounts. If shares and deposits are held in trust, the name and residence of the beneficiary shall be disclosed and the account shall be kept in the name of the holder as trustee for such beneficiary. Such shares and deposits may be withdrawn, upon the death of the trustee, by the beneficiary's legal representative.

Sec. 21. Disappearance. All sums due any member whose whereabouts are unknown to the officers of the credit union for five years or more, may, after return of registered letter sent to such member at last known address, be turned over to the school fund of the county wherein the credit union has its principal place of business.

Sec. 22. Loans. A credit union may loan to members for a provident or productive purpose and upon such securities and terms as the bylaws may provide and the credit committee shall approve at rates of interest not to exceed 1% per month on the unpaid monthly balances, such rate to include the credit union's total income on a loan. Every application for loans shall be made in writing on a form which the credit committee prescribes and the board of directors approve which shall state the purpose for which the loan is desired and the securities if any, offered. Every loan shall be evidenced by a written instrument. No loan shall be made to any member in excess of $200.00 or 10% of the credit union's total assets, whichever is greater, and unless it has received the unanimous approval of the members of the credit committee who were present when it was considered, which number shall constitute at least a majority of the members of said committee, except that an applicant whose application has been rejected may appeal to the board of directors, who by majority vote may reverse the decision of the credit committee. In addition to generally accepted types of security, the endorsement of a note by a guarantor or assignment of shares or wages, in manner consistent with the laws of the State of _____, shall be deemed security within the meaning of this act and the adequacy of all securities shall be within the determination of the credit committee subject to the provisions of this act and the bylaws. A member may receive a loan in fixed monthly installments or in one sum, and may pay the whole or any part of his loan on any day on which the office of the credit union is open for business. No director or committeeman may borrow from the credit union in which he holds office an amount in excess of the sum of his share holdings and deposits, nor may he endorse for borrowers from such credit union.

Sec. 23. Investments. Funds not used in loans to members may be invested (1) in obligations or preferred stock issues of any agency or association organized either as a stock company, mutual association or membership corporation, provided the membership and stock holdings, as the case may be, of such agency or association is confined or restricted to credit unions, and provided the purposes for which such agency or association is organized is designed to service or otherwise assist credit union operations; (2) in obligations of this state or any subdivision thereof (3) in obligations of the United States of America, or securities fully guaranteed as to principal and interest thereby; (4) in shares of a cooperative society organized under state or federal cooperative laws in the total amount not exceeding 10% of the shares, deposits and surplus of the credit union and (5) in any investment legal for savings banks or trust funds in this State.

Sec. 24. Reserve Fund. At the close of each fiscal year not less than ten percent of the gross earnings of such year shall be set aside as a reserve fund until such fund is equal to ten percent of the sum of the share and deposit account balances. All entrance fees, fines and transfer fee shall, after payment of organization expenses, be added to said fund.

The reserve fund shall belong to the credit union and shall be used to meet losses except those resulting from an excess of expenses over income and shall not be distributed except on dissolution of the credit union. Upon recommendation of the board of directors the members may, at an annual meeting, increase, or if such reserve fund equals or exceeds ten percent of the sum of the shares and deposit balances, decrease the proportion of the gross earnings to be thus set aside. Likewise the members may transfer part or all of the undivided earnings to the reserve fund.

Sec. 25. Dividends. A share dividend may be declared from the net earnings and surpluses by the board of directors which dividend shall be paid on all fully paid shares outstanding at the end of the fiscal year. Shares which become fully paid up during such year shall be entitled to a proportional part of said dividend. No payment on shares for any month, shall be considered for the purpose of calculating dividends, unless such payment is received on or before the fifth day of that month. From the remaining net earnings and surpluses the board of directors may, provided a share dividend of not less than three percent (3%) has been declared, refund to the members of record as of the end of such fiscal year who have been borrowers during such year a percentage of the interest which such borrowers have paid during the year and such rate of refund shall apply alike to all such member-borrowers.

Sec. 26. Share Reduction. Whenever the losses of any credit union, resulting from a depreciation in the value of its loans or investments or otherwise, exceed its undivided earnings and reserve fund so that the estimated value of its assets is less than the total amount due the shareholders the credit union may, by a three-fourths vote of the entire membership at a meeting called to consider the matter, order a reduction in the liability of each of its shareholders so as to divide the loss proportionately among the shareholders. If thereafter the credit union shall realize from such assets a greater amount than was fixed by the order of reduction, such excess shall be divided among the shareholders whose assets were reduced, but only to the extend of such reduction.

Sec. 27. Merger. Any credit union may, with the approval of the Secretary of State, merge with another credit union, provided the membership of the one credit union is within the field of membership of the other, under the existing charter of such other credit union, pursuant to any plan agreed upon by the majority of the board of directors of each credit union joining in the merger, and approved by the affirmative vote of at least seventy-five percent of the members of each such credit union either at meetings of the members duly called for such purpose or in writing. After such agreement by the directors and approval by the members of each credit union the president and secretary of each credit union shall execute in duplicate, a certificate of merger, which shall set forth all of the following:

(a) The time and place of the meeting of the board of directors at which the plan was agreed upon.
(b) The vote in favor of adoption of the plan.
(c) A copy of the resolution or other action by which the plan was agreed upon.
(d) The time and place of the meeting of the members at which the plan agreed upon was approved.
(e) The vote by which the plan was approved by the members.
(f) The date the merger was approved by the Secretary of State.

Such certificates, in duplicate, and a copy of the plan of merger agreed upon shall be forwarded to the Secretary of State, and a copy of the Certificate, certified by him, shall be filed with the County Recorder of the county wherein each credit union participating in the merger has its principal place of business. Whereupon, the charter of the merged credit union as a legal entity separate from the surviving credit union shall terminate.

Upon any such merger so effected, all property, property rights, and interest of the merged credit union shall vest in the surviving credit union without deed, endorsement or other instrument of transfer, and all debts, obligations and liabilities of the merged credit union shall be deemed to have been assumed by the surviving credit union under whose charter the merger was effected.

This section shall be construed, whenever possible, to permit a credit union chartered

under the federal act to merge with one chartered under this act or to permit one chartered under this act to merge with one chartered under the federal act.

Sec. 28. Reports. Credit unions organized under this chapter shall report to the Credit Union Division annually on or before the first day of _____ on blanks supplied by him for that purpose. Additional reports may be required. If any report remains in arrears for more than five (5) days, a fine of five (5) dollars for each day such report remains in arrears may be levied against such offending credit union. If such report is not returned within thirty (30) days of the due date, the _____ may, after written notice to the president of such credit union of his intention to do so, request the Secretary of State to suspend or revoke the certificate of approval, take possession of the business and property of such credit union, and order its dissolution in accordance with Section 33 of this act.

Sec. 29. Records. All records of a credit union incorporated under this act shall be kept for a period of six years from the date of making same or from the date of the last entry thereon. No credit union shall be required to receipt for payments on shares, deposits, thrift accounts, loans, or interest except by entry in the member's passbook nor shall it be necessary to endorse a note showing date of payments or balance due.

Sec. 30. Audits. The credit union division shall audit or cause to be audited each credit union annually, except that a credit union having total assets of less than twenty-five thousand dollars need not be audited but once each two years. Each credit union and all its officers and agents are required to give to representatives of said division free access to all books, papers, securities, records and other sources of information under their control; and for the purpose of such audit said representatives shall have power to subpoena witnesses, administer oaths, compel the giving of testimony, and require the submission of documents. A report of such audit shall be forwarded to the president of each credit union within thirty days after the completion of the audit. Said report shall contain comments to the members relative to the management of the affairs of the credit union and also as to the general condition of its assets which shall be read to them at the next annual meeting. Within thirty (30) days of the receipt of such report a general meeting of the directors and committeemen shall be called to consider matters contained in the report.

Sec. 31. Spreading False Reports. Any person, firm, corporation, or association which maliciously and knowingly spreads false reports about the management or finances of any credit union shall, upon conviction, be fined not less than $25.00 nor more than $200.00 or be imprisoned for not less than thirty days nor more than one year, or both.

Sec. 32. Taxation. Any credit union organized under this act or under the federal credit union act shall be exempt from all taxation now or hereafter imposed by the state or any municipality within the state or any local taxing authority and no law which taxes corporations in any form, or the shares thereof, or the accumulations thereon, shall apply to any such credit union. The shares of credit unions shall not be subject to any stock transfer tax, either when issued or when transferred from one member to another. The participation by the credit union in any unemployment insurance funds, or social security fund, or old age fund, shall not be deemed a waiver of the tax immunities hereby granted.

Sec. 33. Dissolution. (a) Voluntary - At any meeting, provided a copy of the notice was mailed to the credit union division at least ten days prior thereto. especially called to consider the matter, three-fourths of the entire membership may vote to dissolve the credit union. Any member not present at such meeting may, within the next twenty days vote in favor of dissolution by signing a statement in form

approved by the credit union division and such vote shall have as full force and effect as if cast at such meeting. The credit union shall thereupon cease to do business except for purposes of liquidation and the president and secretary shall, within five days following such meeting notify the credit union division of intention to liquidate and shall include a list of the names of the directors and officers of the credit union together with their addresses.

(b) Involuntary - If it shall appear that any credit union is insolvent or that it has violated any of the provisions of this chapter, the credit unionn division may, after hearing or giving opportunity for a hearing, order such credit union to correct such condition and shall grant it not less than sixty (60) days within which to comply and failure to do so shall afford the _____ of _____ grounds for requesting the Secretary of State to revoke the certificate of approval and charter and for applying to the district court of the district in which such credit union is located for the appointment of a receiver to close up the affairs of such credit union.

(c) Liquidating Procedure - The credit union shall continue in existence for the purpose of discharging its debts, collecting and distributing its assets, and doing all acts required in order to wind up its business and may sue and be sued for the purpose of enforcing such debts and obligations until its affairs are fully adjusted. The board of directors, or in the case of involuntary dissolution, the receivers shall use the assets of the credit union to pay, first, expenses incidental to liquidation including any surety bond they may be required to give; second, any liability due non-members; third, savings club accounts. Assets then remaining, if any, shall be distributed to the members proportionately to the savings held by each member as of the date dissolution was voted.

As soon as the board or the receiver determines that all assets from which there is a reasonable expectancy of realization have been liquidated and distributed as set forth in this section, they shall execute a certificate of dissolution on a form prescribed by the Secretary of State and file same with the Recorder of the County wherein the credit union had its principal place of business, who shall, after recording and indexing same, forward it to the Secretary of State, whereupon such credit union shall be dissolved.

Sec. 34. Administration. The _____ of _____ shall be charged with the administration of this act. He shall create within his department a credit union division. As soon as there are seventy-five credit unions chartered under this act he shall place an individual in charge of the division. All persons appointed to the division except stenographers and clerks, shall have had five or more years' experience as a director of a credit union.

Sec. 35. Advisory Commission. As soon as there are twenty-five credit unions chartered under this act the Governor shall appoint an advisory commission of five persons who have had three or more years' experience as a credit union director from a list submitted by credit unions operating in this state. The members of this commission shall serve for terms of three years each so arranged that no three expire during the same year.

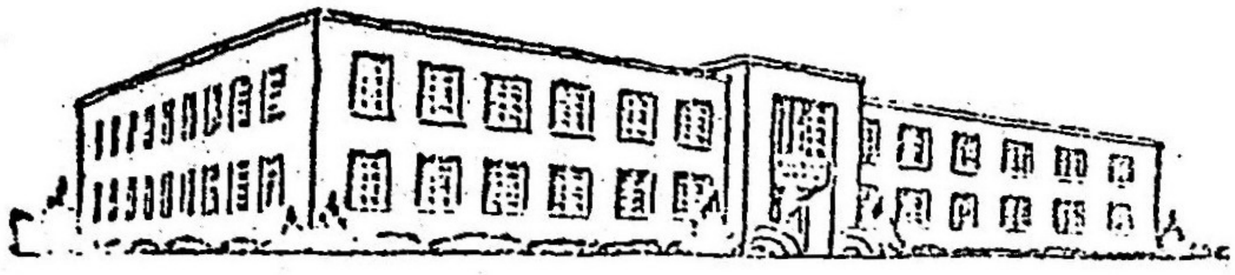
The Secretary of State, the _____ of _____, nor the credit union division or any of its employees shall promulgate any rules or regulations under this act until the advisory commission has been consulted at a regular or special meeting.

The members of this commission shall receive no compensation but shall be reimbursed for their expenses in attending meetings of the commission.

Sec. 36. Validity. This act shall take effect immediately. All laws or parts of laws in conflict with the provisions of this act are hereby repealed to the extend of such conflict. The invalidity of any section, or part thereof, shall not effect or render the remainder of the act, invalid or inoperative.

WHAT ARE CREDIT UNIONS AND HOW CAN WE USE THEM?

A HIGH SCHOOL STUDY UNIT



Additional information and materials
are available from
Public Relations Department
CREDIT UNION NATIONAL ASSOCIATION
Filene House Madison, Wisconsin

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INTRODUCTION

CREDIT UNIONS: NOT FOR PROFIT - NOT FOR CHARITY - BUT FOR SERVICE!

"My father-in-law was trapped by a cave in. He was in pretty bad shape by the time we got him out. It was midnight, and we couldn't get him into a hospital without $75. I got the credit union treasurer out of bed and soon had the $75 . . . After that I really started to bring in new members."

* * *

A widow we know of borrowed $2 -- just $2 -- that's all she would take -- from her credit union to tide her over til her pension check arrived.

* * *

Miss S_____, a newcomer to the city with her parents and brother, joined the credit union where she got a job. The housing shortage gave the family a hard time before they found a house. When they did, it was an old place, filled with beat-up furniture. Miss S_____transformed the old house, remodeled the furniture, painted, papered and upholstered. She borrowed the money for the project from the credit union. The result was so handsome, it was featured in the Sunday paper!

* * *

A boy of 14 borrowed $80 to go to Boy Scout camp -- with his parents co-signing his note. Now his balance is down to $26 and he pays regularly on his credit union loan, out of his after-school earnings.

* * *

Miss H_____bought a fur coat with a credit union loan -- and saved $25 because she paid cash for it!

Mr. J_____'s son had to have an eye operation. Time was important to save his sight, but Mr. J_____ didn't have the train fare to the distant city where the specialist was. A credit union loan made in short order gave him the money to save his child's sight.

* * *

These are stories -- all true -- of just a few credit union members -- but they're typical of the literally millions who share these benefits. They reflect the practical brotherhood which is "the credit union way." . . . Whether it's in the saving of money in our ordinary day-to-day transactions . . . or the turning point in a career . . . the increase of a family's happiness . . . or the saving of a life . . . the credit union is there -- a vast network of men and women working together --

"Not for Profit, Not for Charity -- But for Service!"

Now let's take a closer look at "the Credit Union Way". . .

I .

WHAT IS A CREDIT UNION?

It's a group of people who pool their savings and lend to each other at low interest.

These savings are in the form of shares in the credit union. Shares are in $5.00 units. When you save $5 in the credit union, you are actually buying a share in the business. When you save$1, your savings are applied to the purchase of a share. These shares provide capital from which personal loans for good purposes are made to members, at no more than 1% per month on the unpaid balance. The earnings of the credit union are returned to the members in the form of dividends on shares. These dividends average three to four percent per annum. Credit unions operate under law, and are closely supervised by government.

II

BASIC PRINCIPLES OF THE CREDIT UNION

A. CREDIT UNIONS ARE DEMOCRATIC

Credit unions are run for the members, and entirely by the members. They are organizations of people, not dollars. Each member has one vote, and only one vote, regardless of the amount of shares he holds. Each year at the annual meeting the membership elects a Board of Directors and Committeemen to run the credit union.

B. MEMBERS OF A CREDIT UNION MUST HAVE A COMMON BOND OF ASSOCIATION

1. They may all work together -

They may work in the same industrial plant:

They may be city, state or federal government employees:

They may work in stores:

They may be communication or transportation employees:

2. They may belong to the same church:

3. They may belong to the same club or lodge:

4. They may live in the same community:

5. They may be members of the same consumer's cooperative:

6. They may belong to the same profession:

7. They may be members of a rural group:

8. They may be members of the same labor union:

C. LOANS ARE MADE ONLY FOR GOOD REASONS

The credit union lends money to members only for "provident and productive purposes"; only when the loan will, in its judgment, be for the benefit of the member.

The credit union can judge loan applications on this basis because it is not in business to make money.

Here are some common purposes for credit union loans:

medical and dental bills	paying off old debts
vacations	automobiles
household appliances	home improvements and repairs
education	taxes

D. THE CHARACTER OF THE BORROWER IS THE MOST IMPORTANT SECURITY FOR THE LOAN

Regardless of any other security pledged for a loan, credit unions consider the character of the member as the most important.

Often the man who has the most need for credit has no property to pledge for it. He can only get ahead if someone is willing to trust him. Many credit union members got their first start toward acquiring property through the credit union which extended credit to them when no one else would.

This faith of the credit union in the integrity and honesty of the average man is justified: credit unions have extremely small losses. (According to the Bureau of Federal Credit Unions, losses since organization of all Federal Credit Unions amount to only fourteen hundredths of one percent!)

E. ALL MEMBERS ARE OWNERS

Only members are shareholders; no outside capital profits from the operations of a credit union.

It's their business. All earnings of the credit union, after legitimate expenses and reserves, are returned to the members in the form of dividends on their shares.

III

PURPOSES OF THE CREDIT UNION

A. CREDIT UNIONS ENCOURAGE THRIFT

Credit unions encourage thrift through a continuous educational campaign on what thrift is, and how to practice it. In this way they have helped credit union members accumulate more than $2,300,000,000 in savings!

What is thrift? Of course regular saving is the heart of thrift, but it's not the whole story!

Before you can be really thrifty, you've got to realize that the saving of money is not an end in itself; that money is a tool -- a medium of exchange, and that it's only as valuable as the use we make of it.

For instance:

1. Intelligent buying so as to get the most for your money is thrift!

   Example: Betty H____ goes to a dress sale. She looks at more than the price tag, though. She asks questions, reads labels. Is it fast color? Preshrunk? Are the seams well sewn - or will they pull out? Is it the style of dress I need? Will it go with the accessories I now have? Only when it passes these tests is it a bargain, and only then does Betty buy it. She's thrifty!

2. Budgeting to enjoy a higher standard of living on one's income is thrift!

   Example: The Becket family always ran out of money before payday, and could never save a cent. Mary Becket loved to cook, and to have friends in to dinner, and Joe Becket liked to play golf, but the Beckets felt they couldn't afford these pleasures. One day Joe picked up a bulletin on how to budget put out by the educational committee of his credit union. The Beckets started planning ahead, and cut out buying on impulse things they didn't really need or want. Now they entertain regularly, and Joe has joined a golf club where he and his wife have met lots of congenial people. Their budget has given them a higher standard of living! That's thrift!

3. Borrowing from the credit union for good purposes is thrift.

Example: Mrs. Jones needed a new refrigerator. She had a chance to get one at a real saving, if she had the ready money to buy it while a local sale was going on. She borrowed from her credit union, and bought the refrigerator at the sale at a $50 saving.

Example: The Gleasons bought $600 worth of furniture for their new home. The store advertised "no interest or carrying charge" but did offer a 10% discount for cash. The Gleasons borrowed from the credit union, paid $540 cash for their furniture. Interest on this loan for one year came to $35.10 -- they made a net saving of $24.90! That's being thrifty!

Example: The Thurmans borrowed from their credit union to fix up their spare bedroom. They now rent this room and the income helps to pay off the mortgage. That's real thrift!

Example: Ellen Murphy borrowed from her credit union to pay her tuition for a secretarial course she took at night. She has had several promotions since, and is doing more interesting work, at higher pay, and long ago paid off that loan. That's thrift!

4. Planned saving to attain definite goals, and for future security, is thrift.

Example: Bill Servian has always wanted to take a trip abroad. He's been saving a little extra every payday in his credit union for two years, and next summer, he's going to Europe! Bill's not postponing his dreams any longer -- that's thrifty, too!

Example: Harry Downer hadn't saved anything for a number of years. Then an emergency came along. Harry made a loan at his credit union and agreed that as he repaid the loan each month, he'd save a little too. He got into the habit of making regular deposits, and saved enough for a down payment on a home. He says that he wouldn't have a home if it weren't for the credit union. He still saves out of each paycheck, and enjoys the feeling of security that having shares in his credit union gives him.

In short, thrift is the wise management of one's resources. . . it's a far cry from the dreary skimping and penny pinching, the miserly hoarding of cash so many call thrift.

True thrift is a joyous, creative experience! Each day more credit union people feel the new surge of self confidence and the deep satisfaction that come with the masterly control of one's finances to achieve a happier, better way of life.

Each day credit unions introduce more people to this really exciting idea: that they actually have the power in their own hands, through sound thrift habits, to make money work for them.

B. CREDIT UNIONS PROVIDE CREDIT AT LOW COST, AND COMBAT USURY

I. The Need for Consumer Credit

Credit is basic in our economy. Since the beginning of time people have lived on credit.

Industry and commerce depend on credit . . .

to expand
to finance new developments and services
to keep current operations running smoothly
to meet emergencies.

Government uses credit, too . . .

to keep the economy running smoothly
to provide necessary services.

Did you ever stop to think that when the government issues bonds, it is borrowing from the citizens? . . . and that when you buy government bonds you're lending money to your government at interest? Most of us have bought both Savings and War Bonds, and we're all familiar with the bond issues of cities and counties to finance schools, hospitals, roads, etc.

Today thinking people realize that the individual has the right and need to borrow for the same basic reasons business or government borrows: to make investments of long term value, to meet emergencies, and to take advantage of opportunities as they arise.

The demand for consumer credit is constantly increasing. All of us make much more use of credit than our grandparents did. Why? Because our way of life has changed, and our standard of living has increased. For instance:

Work has become more specialized, more money changes hands, and our needs for cash are greater.

Example: Men used to "borrow" labor from one another to help build their homes: they used to raise much of their own food, build their own furniture, etc. They had little need for cash. Today we have better homes, food and clothing; more comforts. This higher standard of living has necessitated ever increasing specialization. Instead of borrowing labor to build our houses, we borrow money, hire experts to build them, and repay the money out of income. Of course income represents our labor, but money is needed to make the exchange.

We have more labor saving devices and it takes credit to buy most of them.

Example: "In the old days" a housewife bought a washtub and a washboard for a few dollars. Each week she spent many hours at hard work, filling and emptying washtubs, scrubbing clothes, rinsing and wringing them by hand. Today she can get a washing machine to do the work for her. But a washing machine costs more than a few dollars! Few people have the ready cash to spend on a washer. Most people would agree that it's more sensible to use credit to buy a washer right away, than it is to do the wash by hand for a year or more until one has saved the money to pay cash for the machine.

We have better health than ever before, but we're spending more money for it than ever before. Often credit is needed to spread medical expenses over a longer period of time.

Example: "In the old days" it cost very little to have a baby. But few mothers had maternity care, most infants were born at home, many without a doctor in attendance . . . infant mortality was high; so was the death rate of mothers. Today mothers get regular medical care before the baby comes, and the child is most often born in a modern hospital, and delivered by a doctor. As a result infant mortality is low, and getting lower all the time. Very few mothers die in childbirth. But this better medical care costs more money. Many families have to borrow to pay the hospital and doctor bills that come with a new baby.

It's no disgrace to borrow! The proper use of credit is good -- only it's abuse is wrong. A good credit rating is one of your most valuable assets.

Today, there is a crying need for low cost consumer credit.

Since so many of the things we need and use in everyday life have to be bought on credit, it's very important that consumer credit be available at low cost. If people pay excessive charges for credit, money they need for a decent standard of living is "eaten up" -- and they see no benefit from it. Credit unions meet this need for low cost consumer credit.

II. The Cost of Credit

Interest: The rent you pay for the use of money.

Few people know what interest they pay in any transaction. In times of stress or when people need money in a hurry, they are so glad to get it that they don't ask what it is costing them. "How much down and how much a month?" is all that most people ask when they make a time payment purchase. They might be appalled to find out what interest rate they do pay in some cases. (Few clerks can tell you what interest is charged on merchandise they are selling on the installment plan.)

Many times it's difficult to know what it's actually costing you for the use of money. Here are some reasons why:

Discount interest: Interest quoted as "6% discounted" on $100 means the interest is deducted before you get the money so you actually have the use of $94, but you pay interest on $100.

Level Payments: There's nothing wrong with the level payment plan itself, but it often conceals the true cost of credit. To find out what you are paying under any level payment plan, multiply the amount of the payment by the number of payments to be made. Deduct the cash price, if it's merchandise, or in the case of a loan, the amount received by the borrower. The remainder is the cost of credit.

Extra fees: hidden charges; These are often added to the interest, without the knowledge of the borrower, especially in level payment

plans, Charges for investigation, insurance, handling, prepayment, etc., are all part of the cost of credit. Here's how the charges looked for a $100 loan when itemized by a lending agency which advertised a 6% rate.

Interest and discount	$6.93
Investigation fee	2.00
Insurance charges	2.29
Bank fee	2.78
Total charge	$14.00

On this $100 loan (of which the borrower got only $94 cash) the total charge of $14 was at the rate of a little over 26% per annum in simple interest!

Credit unions charge a maximum of 1% per month on the unpaid balance. There are no extra fees, or hidden charges. You pay interest only on the amount still due. On a loan of $100 for one year, the total cost is $6.50. Many credit unions include, without charge, insurance which pays off the loan in case the insured borrower dies or becomes totally and permanently disabled.

Why Credit Unions Can Charge Less

Credit unions can make loans at lower interest than other agencies because:

a. They are not in business for profit.

b. They have low expenses - often space and lights, heat, etc., are provided by the sponsor, i.e., the company whose employees have a credit union.

c. They are run by volunteers. Members of the board of directors and committeemen serve without pay, with the exception of the treasurer, who may be paid, for the main burden of work falls on him.

d. The bond of membership means that the credit union knows its members, so investigation fees are unnecessary, and collection costs are insignificant.

Credit unions' lower interest rates save members money, and thus give them more money to use for other things. It is estimated that members made savings of over $100,000,000 in interest last year alone!

Credit unions save the general public money, too. Through the years the example and competition of credit unions has caused a real drop in interest rates on small loans. That means that every borrower . . . even those not members of credit unions . . . made a saving on interest last year, thanks to credit unions.

IV

THE STORY OF CREDIT UNIONS

How many people share these credit union benefits?

Today, in the Western Hemisphere alone, there are 9,000,000 people using 18,600 credit unions to meet their needs for small loans in an honest, low cost way, throughout Canada, the United States, Hawaii, Alaska, the Canal Zone, Puerto Rico, Jamaica, Trinidad, British Guiana, the Dominican Republic and the far away Philippines.

India has no less than 50,000 cooperative credit societies! Japan had 17,000 credit unions before the last war. China, too, has thousands. In Europe, where the credit union idea was born, and flourished before World War I, credit unions are reported to be regaining ground.

*Here in the _____ (state or province), there are _____ (number) credit unions with _____ (number) members.

How and where did credit unions begin?

It's a thrilling story . . .

WILLIAM HENRY RAIFFEISEN

It is to William Henry Raiffeisen, Mayor of a little German town over 100 years ago, that we owe the credit union idea. Others before him had experimented with cooperative credit plans, but he set up the ideals of practical brotherhood which we know today in the credit union movement. While Raiffeisen was working in rural areas, a young lawyer by the name of Schulze-Delitzsch was working in the cities on a credit union plan for small businessmen.

Picture the conditions in Germany 100 years ago. It was a time of what we now call, "depression." The cities were crowded with unemployed. Men who before had been able to earn their bread with honest toil were reduced to begging, destitution, and actual starvation. To make matters worse, a drought struck, and ruined two years' crops. In a desperate effort to keep their families together and continue living these people had gotten themselves hopelessly in debt to usurious money lenders.

Raiffeisen, as Mayor of the country town of Flammersfeld was desperate for a way to save his people from starvation. We are told that in his barren district of Westerwald, the usual meal that year was sauerkraut and a cup of chicory brew. The bits of dried-out land, and the few half-starved animals the farmers had were most often forfeited to the money-lenders. They were in hock up to their ears, and the high interest charges, together with the bad times, left them no way out. Raiffeisen appealed to the well-to-do of the community for financial help, but charity was merely a stop-gap.

Raiffeisen pondered the problem for a long time and decided the only way was for the people to help themselves. So he set up his first credit union. His main idea was that only people who belonged to the credit union could borrow from it, that loans would be made only for provident and productive purposes, at low interest, and third, that a man's character was the most important security for his loan. He insisted that all the people in the credit union have a common bond of interest to hold them together . . . and the credit unions still operate on these principles today.

Needless to say, this first credit union was a real success - and Raiffeisen even though he was sick, and half blind, worked night and day for the rest of his life to spread the idea.

He traveled all over the country, talking with whomever he met about his new idea -- in country inns, in the homes of the villagers, along the streets, with farmers in their fields. He shared the meager meals of the people, slept in hard beds, sacrificed his career, passed up financial gain, and permanently ruined what little health he had left -- to spread the credit union idea. His name became a household word -- throughout Germany he was known as "Father Raiffeisen". . . and before he died he had organized 425 credit unions! Others carried on his work and before the first world war, there were thousands of Raiffeisen banks flourishing in Germany.

IN ITALY

Later in the century, Italy took up the credit union idea. Loan sharks flourished in Italy, often charging 1,000% (sic) interest! A man by the name of Luzzati heard of the German Credit Societies and went to Germany to study them. He came home and set up his first credit union in Milan. With a capital of $140 ($20 of it put up by himself) Luzzatti set up business at a desk out on the sidewalk, despite the derision of his rich friends. Today this same People's Bank of Milan is one of the largest moneyed institutions in Italy, and has served as a model for hundred of other people's banks. These institutions operated mainly in cities. A man by the name of Wollemborg brought the credit union idea to the farmers of Italy. Like the Raiffeisen Societies in Germany, these Italian counterparts had a tremendous effect on every facet of the people's lives, bettering their social, and moral as well as economic condition.

CREDIT UNIONS COME TO NORTH AMERICA

Credit unions first came to the new world by way of Canada. A Montreal legislative reporter by the name of Alphonse DesJardins became interested in cooperative credit in the late 1800's. As in Europe, money was lent in Montreal at exhorbitant rates. The exposure of this usury aroused DesJardins' interest. For years he studied European credit union plans, and finally, in 1900 felt he was ready to begin his own experiment.

DesJardins organized the first credit union in Canada at Levis, Quebec. It was a very modest beginning -- as he himself described it: "The first installment paid was a dime and the total of the first collection amounted to $26." Today this same credit union has assets of over a million dollars, . . . and there are now 3,600 credit unions in Canada!

DesJardins had adapted the credit union idea perfected in Italy to American conditions, and thus set the pattern for credit union organization in the New World.

IN THE UNITED STATES

To DesJardins also goes the credit for organizing the first credit union in the United States: The Ste. Marie Parish Credit Union in Manchester, New Hampshire in 1909.

Edward A. Filene

A prominent Boston merchant by the name of Edward A. Filene became interested in cooperative credit while on a trip to India, where he was deeply impressed with what a great boon it was to the poor of India. He saw how well it worked

in Europe, too, and came home sold on the idea. From that time 'til his death Edward A. Filene was a leader in the credit union movement in the United States, and spent considerable sums from his personal fortune to advance the idea. In 1921 he set up a bureau to

get credit union laws enacted;
organize credit unions;
work for the establishment of state leagues of credit unions;
set up a permanent national association of credit unions.

By 1934, in only 13 years, the bureau had turned a noble dream into a great reality: a nation-wide credit union movement with well over 3,000 credit unions and 759,000 members.

CUNA IS BORN

In 1934 credit union leaders from all over the country got together at Estes Park, Colorado, and established the CREDIT UNION NATIONAL ASSOCIATION — CUNA for short.

Today 58 leagues in the United States and the Provinces of Canada are banded together in this non-profit organization which is dedicated to the advancement of credit unions.

These efforts paid off: special laws providing for the organization and operation of credit unions have been passed by the Congress of the United States, 45 of the United States and all the provinces of Canada.

_____CREDIT UNION LEAGUE

The _____ Credit Union League, an association of credit unions operating in _____, works to extend credit union service to more people and to help _____ credit unions do a better job. As a non-profit association operating in the public interest, it is always ready and eager to give information and help on matters pertaining to credit unions. Offices of the league are located at _____ _____. The Managing Director is _____ _____.

(state or province) (state or province) (street) (city) (name)

V

HOW DOES THE CREDIT UNION OPERATE?

We know what a credit union is; that it's a group of people who pool their savings and lend to each other at low cost, but just how does it work? How is it managed?

Here is the way it works:

The members elect a Board of Directors of not less than five members, at the annual meeting of the membership. They also elect a Credit Committee and a Supervisory Committee, of three members each.

The Directors elect a President, Vice-President, Treasurer and Clerk (or Secretary). The Treasurer and Clerk's offices may be held by the same person.

The Directors have general management of the credit union, set its policies, approve all applications for membership, set the interest rate (never more than 1% per month on the unpaid balance) and declare the dividends. They meet monthly, and hold additional meetings if necessary.

The Credit Committee supervises all loans to members. Applications for loans are made in writing, and must tell the purpose of the loan, security offered, and any other data required. The credit committee meets regularly, as often as necessary, to approve loans.

The Supervisory Committee is the "watchdog" of the credit union; it keeps an eye on the operations of the credit union, examines the affairs of the credit union at least quarterly (including an audit of the books) and reports to the membership at the Annual Meeting. It has the power to suspend officers and committeemen if it deems necessary.

The Treasurer is the active manager of the credit union. He keeps the books, makes the financial reports, and is in charge of the receiving and disbursing of funds. Most of the members come to the Treasurer with their financial problems, and he usually transmits loan applications to the credit committee. On him falls most of the work, so he may be paid for his credit union work, although other members of the board and committeemen volunteer their services.

The Educational Committee works to increase the members' understanding and information on thrift, the uses of credit, and related economic topics. They may utilize all forms of publicity and contact to do this job.

Membership participation is a fundamental part of the credit union way. Members are urged to form the habit of regular saving each payday, and to use the credit union to meet all their needs for consumer credit. They are urged to come to the credit union for help and advice on any of their financial problems, without any obligation, and with the assurance that their affairs will be held in confidence.

VI

HOW IS A CREDIT UNION ESTABLISHED?

Credit unions may be organized under(state) (provincial) or Federal Law. The group desiring to form a credit union must have a common bond of membership and should have at least 50 persons in the group.

Seven or more persons from the group are required to sign the application for a credit union charter.

Proposed By-Laws must be submitted along with the application for a charter. (Model By-Laws are available from the _____ Credit Union League, and they are in general use.)

Charters are granted by _____ _____ or by the Bureau of Federal Credit Unions. The agency which issues the charter supervises the operations of the credit union.

As soon as the application for a charter is approved, and a charter is granted, an organizational meeting of the potential membership is held. At the Organizational meeting, the Directors, Supervisory Committee and Credit Committee are elected. The first meeting of the Board of Directors usually takes place immediately, and at this meeting officers are elected. The credit union begins to function immediately.

Information, all the necessary forms, and help in organizing a credit union are always available without charge from _____ Credit Union League.

VII

HAND IN HAND

Credit unions and banks work hand in hand, each serving definite needs. This working partnership benefits both of them, and the general public as well. For example:

Because credit unions are close at hand and urge "savings every payday" no matter how small the units, many people who otherwise would not save at all, form the habit of thrift.

The banks are glad to have credit unions handle these deposits as actually they lose money on small accounts: According to Maurice G. Sparling, Superintendent of Banks of California, "Each $100 savings account represents a loss of close to $3 a year and an account must exceed $200 before it represents a profit to the bank." (Average savings account in Federal Credit Unions is $170.)

The law requires that these credit union savings - which total over a billion dollars - be deposited in bank accounts. As the Wall Street Journal states, "even for moderate sized credit unions this may amount to $20,000 or more." In this way banks obtain wholesale amounts of working cash without the cost of handling small deposits welcomed by credit unions.

In the same way, credit unions fill a special small loan need. Without them, thousands of people would have to go without credit or borrow at exhorbitant cost, often from illegal lenders. Banks cannot afford to handle much of this small loan business: a typical bank estimates that no loan under $300 pays for itself. But the average credit union loan last year was $299, and of course most loans were smaller. Credit unions can make these loans at low interest because they have less overhead, volunteer service, and a

close bond of membership which saves them investigation and collection fees.

Most banks recognize the value of their practical working arrangement with credit unions. In fact, employees of banks have their own credit unions -- with hearty approval of their employers. As bank president William M. White of Pueblo, Colorado, says, "There is a place for both banks and credit unions, and both are serving the public well in their own fields."

CREDIT UNIONS FIGHT INFLATION

Credit unions are an important hedge against inflation. Their primary purpose is the encouragement of thrift: "regular saving" is their watchword, and as a result their members have over a billion dollars in credit union savings. But most important, loans are made only for provident and productive purposes. This principle has been a fundamental part of credit union philosophy ever since the first credit union was organized over 100 years ago. Today, as always, credit unions are helping people meet their sound credit needs, while they effectively discourage irresponsible, inflationary borrowing and spending.

CREDIT UNIONS MEAN BETTER EMPLOYEE RELATIONS

Forward looking businessmen appreciate the importance of credit unions in good employee relations. That's why the majority of the 18,600 credit unions serving 9,000,000 members are to be found in the factories, offices, shops and stores of North America, where (almost without exception) they receive the full cooperation and encouragement of management. Why? Because the credit union helps maintain a more efficient and reliable labor force . . . It relieves employees of financial worries . . . and statistics show that a worker who is worried about money is less efficient,

prone to accidents and sickness. But employees can solve their own financial problems independently and sensibly, through their credit union, where they can get a loan without loss of self respect, dependence on charity, or favors.

At the same time the credit union saves the employer the bother and expense of pay advances, loans and credit references. He avoids the plague of garnishments, and the embarrassment and resentment they breed.

Employees enjoy a higher standard of living on their wages because the credit union saves them money on loans, teaches them sound money management and encourages regular saving. They are better fed, housed and clothed . . . naturally they're happier, more productive workers. What's more, the credit union builds the morals and pride of employees because it is their organization and they run it.

HOW CREDIT UNIONS BENEFIT THE COMMUNITY

Just as a pebble dropped into a pool moves the water in ever widening circles, the credit union reaches into and invigorates every aspect of your community's life. How? Because the credit union builds better citizens, who are social as well as financial assets to the community.

For instance: credit union members can solve their own financial problems instead of depending on others. They learn to budget, to spend wisely and save for the future, instead of living from payday to payday without plan or purpose. As the credit union helps them to independence and security, their self respect grows, and they take renewed pride in job, home and community.

Better Health

Credit union members are healthier, happier citizens of your town. They

can get the financial assistance they need for adequate medical and dental care for themselves and their families. Their mental health is better too: many a family has been kept together, and many a nervous breakdown averted by the aid and counsel of the credit union in solving worrisome financial problems. It's plain to see that there would be a much greater drain on the resources of the welfare agencies if it were not for the credit unions in your community that help members work out their own difficulties.

The credit union is good for your community in other down-to-earth dollars and cents ways, too:

Low interest credit union loans make it possible for members to pay cash when they buy, avoiding high carrying charges. The interest they save is that much more they have to spend for a fuller and a richer life.

In financial hardship the credit union is always on the spot to help its members: they can borrow to pay bills on time — the grocer, the milkman and doctor are paid promptly and they in turn can pay their bills and so the benefits spread.

Improved property

Many credit union members have bought homes of their own, thanks to credit union savings, and many more have been able to repair, paint and improve their homes with money borrowed or saved through their credit unions. Again --the entire community profits from this increase in property value. There are 17,750 credit unions in North America. Each one, like a pebble falling into a pool, is setting in motion such widening circles of good for its community.

CREDIT UNIONS AND DEMOCRACY

Credit unions are democracy in action -- an outstanding example of what free and independent people can do when they work together.
Credit unions build self confidence, independence, responsibility, leadership and respect for the rights of others -- qualities we need to preserve our way of life. They help the individual to stand on his own two feet, to face up to his problems and solve them.

Millions of credit union members, united to provide for their own economic security, are a sure safeguard of democracy. They want no part of totalitarianism because day after day they are enjoying the fruits of democratic action through their credit unions.

CREDIT UNIONS AND WORLD PEACE

Credit union people feela deep obligation to share the benefits they enjoy with their fellowmen throughout the wordl. They are deeply convinced that, through the credit union idea, men can learn to work together to solve their problems in a democratic way, and thus find the key to mutual understanding and world peace.

The end.

What Are Credit Unions and How Can We Use Them?

LEARNING ACTIVITIES

Here are some suggestions for class room projects which will help you teach credit unions, and at the same time develop basic skills. These suggestions are not departmentalized because it is hoped that teachers would prefer to integrate their teaching of credit unions with other subjects: The basic unit on credit unions might be part of the social studies program, but the pupils might make a credit union poster in art class, figure interest in math class, put on a credit union skit in English or dramatics class.

Credit union literature for classroom use is available from your state or provincial credit union league, or from the Credit Union National Association.

1. Figure interest on a loan of $100 for 12 months, with interest at 1% per month on the unpaid balance. Figure true interest on a discounted loan.

2. What is a level payment? Explain how interest is computed and level payment arrived at. Compare several level payment charts. Point out how level payments can hide interest charges.

3. Dividends. What are they? Where do they come from, and how are they computed?

4. Bookkeeping. Set up credit union books. Carry several members' accounts through a year's transactions, involving savings and loans.

5. Get a list of all credit unions in your community from your state or provincial credit union league. Classify these credit unions according to the type of group they serve-industrial, church, organizational, retail, etc. Which group has the most credit unions?

6. Hold a panel discussion in the class room on benefits of the credit union. Have persons take parts of different individuals such as a public official, credit union treasurer, businessman. Have each person formulate the type of questions the character he is portraying would ask, and make the type of comments he would make. Encourage class to ask questions of the "experts" on the panel.

7. Make posters showing types of credit union loans - reasons people would borrow from a credit union.

8. Make a class scrap book on credit unions. Clip from magazines pictures of stoves, refrigerators, home repairs, vacations, etc. - anything for which credit union members would save or borrow.

9. Make a poster showing reasons for saving in credit unions.

10. Make a historical credit union poster.

LEARNING ACTIVITIES - PAGE 2

11. Arrange a display for Credit Union Day on your school bulletin board.

12. Make a chart showing relations between individual credit unions, chapters, leagues, and the Credit Union National Association.

13. Make a display of credit union literature.

14. Read "Poor Man's Prayer" or "Credit for the Millions" and make an oral book report to the class.

15. Write and act out a play based on the dramatic history of credit unions, perhaps built around Raiffeisen, Desjardins, or Filene.

16. Write and act out a skit in which family problems are solved through the credit union.

17. Find out interest rates on savings in banks, savings and loan institutions, postal savings, etc., and compare with what local credit union dividends are.

18. Make maps showing the spread of credit unions in North America.

19. Make a chronological table of important credit union dates. List other significant facts in history that took place during those years.

20. Get time payment contracts from merchants; read them carefully, and have the teacher explain any sections not understood. Find the true rate of interest charged. Are there any extra fees for investigation, insurance, delinquency, payments made ahead of time, etc.? Compare finance costs with credit union interest.

21. Write a short story in which a credit union helps one of the characters get more happiness out of life.

22. Visit a credit union office. Contact your credit union league for a list in each locality.

23. Have a mock credit committee meeting in the classroom. Each student should prepare applications for loans to present to the committee.
(Make a list of criteria the credit committee uses in deciding on loans.)

24. Clip ads from papers for loans or installment purchases and analyze costs. Compare with credit union costs.

25. Level payments - what are they? Tell how they mask true cost. Figure the actual finance cost from level payment ads clipped from newspapers.

26. Have a credit union league representative visit class and tell how credit unions are organized by acting it out in class.
(Pretend class is ABC Manufacturing Company employee meeting.)

* * *

APPRECIATIONS WHICH CAN BE FOSTERED BY THIS UNIT

1. Value of cooperative effort.
2. Understanding of fundamental changes in the economy.
3. Understanding of the wise use of credit.
4. Economic value of character - a good name - reliability.
5. Importance of keeping promises, contracts and agreements.
6. Increased understanding of what thrift means, and how to practice it.
7. Importance of saving.
8. Increased awareness of how finances affect every other aspect of a person's life.
9. Understanding of the importance of sound family finances to the welfare of the entire community.
10. Increased understanding of how principles of democracy apply to everyday life, as evidenced in the credit union.
11. Greater awareness of the responsibility each person has for the welfare of his fellowmen.
12. Appreciation of the pleasure that comes from voluntary service to others.

* * *

ORGANIZATION OF A CREDIT UNION

MEMBERS

Membership in a credit union is limited to persons elected by the Board of Directors from among applicants who are included in the field of membership defined in the charter of the credit union. Each member present at annual or special meetings has one vote. Only members may borrow from the credit union.

Members elect directors and committeemen; exercise democratic control over the credit union's activities; and receive reports each year from Board of Directors, Committees, and administrative officers.

SUPERVISORY COMMITTEE

Examines affairs of the credit union and audits its books.

BOARD OF DIRECTORS

Directs activities of credit union according to law. Elects administrative officers.

CREDIT COMMITTEE

Passes on members' applications for loans. Outlines the plans for repayment of loans.

EDUCATIONAL COMMITTEE

Develops and presents programs to extend members' knowledge of credit, thrift, and related subjects. (May be appointed by Board.)

VICE PRESIDENT

Acts in the president's absence or disability.

PRESIDENT

Presides at meetings of Board and of members. Presents annual report of Board to members.

TREASURER

As general manager of credit union, has charge of assets, keeps books, and prepares the financial and statistical reports. (This may be a salaried office.)

CLERK OR SECRETARY

Keeps minutes of meetings of Board and of members. (This office may be combined with that of Treasurer.)

EMPLOYEES

Number and duties depend upon needs of credit union.

AIRGRAM — INTERNATIONAL COOPERATION ADMINISTRATION — AIRGRAM

Ag.—Credit

SECURITY CLASSIFICATION: UNCLASSIFIED

PAGE 1 OF 21 PAGES

DATE SENT: June 27, 1956

DATE REC'D: 7-3-56

FROM - USOM/Iran Tehran

SUBJECT - Completion of Tour Report of Ivan E. Johnson, Cooperative Credit Specialist of USOM/Iran

REFERENCE - (Check one before each address)

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Enclosure: Completion of Tour Report of Mr. Ivan E. Johnson

Enclosed is the completion of tour report of Mr. Ivan E. Johnson, cooperative credit specialist, obtained under the USOM/Iran contract with the Near East Foundation.

Mr. Johnson has served the past two years in Iran and I believe that his report provides a very good history of development work in rural cooperatives in Iran and the problems that have been encountered. I believe ICA/W should send copies of this report to other ICA Missions, especially those in the Near East and South Asia, as it contains considerable information of value in establishing a rural cooperative.

GREGORY

AUTHORIZING OFFICER	DRAFTED BY	OFFICE	PHONE NO.	DATE
Clark S. Gregory, Director	Clark/gmc	Com. Dev.	52	6/23/56

ICA AND OTHER CLEARANCES

SECURITY CLASSIFICATION: UNCLASSIFIED

ICA AND OTHER CLEARANCES

Original surnamed by Ivan Johnson
Naylor

Completion of Tour Report
by
Ivan E. Johnson

Rural Credit and Cooperative Specialist

I. Introduction

When I arrived in Iran August 1, 1954, one of the units in the Community Development Division Headquarters was the Cooperative Section headed by Mr. John McCauley. As one of the thirty-one American Community Development Specialists recruited by the Near East Foundation, I was assigned to this section the latter part of August, 1954.

There were three Iranian cooperative field technicians and one administrative technician on the staff of the Cooperative Section at the time of my arrival. One of them, however, was detailed to the Community Development Division of the Tehran Provincial Office where he was devoting his time to educational and promotional activities connected with organization of a rural multi-purpose cooperative in the Crown Land Village of Tajestan. This was Mansour Emami, a native of Shiraz, who had distinguished himself as a convincing speaker with a sympathetic understanding of the farmers' problems and, wherever he went, won their confidence and respect.

Another of the three field technicians was Morteza Vakilzadeh, of Isfahan. He had served as operations adviser to the Veramin Rural Cooperative, the first multi-purpose cooperative organized in the Crown Land Villages. Chosen for a training grant to study cooperatives in the United States, he left in September, 1954. His nephew, Hooshang Vakilzadeh, was employed not long after and has developed into a valuable field man. Upon returning from the United States, Morteza was employed by the newly organized Alborz District Cooperative Whole-sale as their manager.

The third member of the field team was Ali Tajbakhsh, who had worked with the National Iranian Oil Company for a number of years as an accountant, administrative assistant and security officer. Although not versed originally in cooperative accounting, he applied his knowledge to the cooperative system of keeping accounts and established the method of keeping records now followed by those cooperatives which called upon him for assistance.

Handling administrative details was Amir Ansari who resigned a

few months later. His replacement was Tooraj Sepehry who has ably assisted in translating, interpreting, and serving as secretary to the Project 84 National Committee.

II. PROJECT AGREEMENTS

Three Project Agreements involved the major attention of the technicians in our Cooperative Section. These were as follows:

1. Shah's Land Distribution Program - Project Agreement 30
2. Cooperative Specialist Training - Project 84
3. Village Council Program - Project Agreement 64

III. DESCRIPTION OF PROJECT ACTIVITIES

A. Shah's Land Distribution Program

Extension of Rural Credit

One of the features of this program was the extension of credit by the Development Bank to the new landowners in the villages distributed by H.I.M., the Shah. The first twelve villages to be divided were in the Veramin Plains and were considered a demonstration area. Although the plan called for extension of credit by the bank to cooperatives and by cooperatives to individual farmers, the first loans were made directly by the bank to individual farmers because no cooperative was then in existence.

Very soon after the establishment of the Development Bank, Mr. McCauley and his staff began a series of meetings lasting over a three or four month period with the farmers in the Veramin area. These meetings resulted in the organization of the Veramin Rural Multi-purpose Cooperative which had its first general assembly on May 8, 1953.

Original responsibility for technical assistance and educational work with this cooperative was in the hands of cooperative technicians of the Community Development Division, with Near East Foundation support in various fields including agriculture and farm machinery. Since one of the important reasons for assisting in the organization of this cooperative was to have an efficient medium by which credit could be extended to the farmers by the Development Bank, educational and activity meetings were planned and executed in each of the twelve villages of the Veramin Co-op in the fall of 1954, not long after my arrival in Iran. Purpose of these meetings was to add a mutual liability credit program to the range of activities already being carried on by the cooperative. This was accomplished by aiding in the organization of "Credit Locals" subsidiary to the

central or parent cooperative.

The plan of approach had been worked out earlier in 1954 by Mr. McCauley and his staff and applied, first of all, in the Crown Land Village of Fariman, which lies about fifty miles south of the shrine city of Meshed. A number of Credit Societies had been set up in this multi-purpose cooperative with the first loan having been made by the Development Bank to the Cooperative in December, 1954, in the amount of 700,000 Rials. Technical guidance of operations at Fariman has been under the capable supervision of Mr. Calvin Martin, one of the thirty-one American Community Development Specialists recruited by the Near East Foundation.

The second of the three large central cooperatives in which the organization of Credit Societies was activated was in the large Crown Land Village of Takestan, about 100 kilometers west of Tehran, where thirty-five credit societies were organized. Mr. James Johnson, another Community Development Specialist contracted by the Near East Foundation, devoted much of his time working with Mr. Emami, various Project 84 trainees, and Development Bank employed village supervisors in this activation.

The pattern of operation for the organization of Credit Societies had, therefore, been tested and tried before being applied in the Veramin. It consisted of a series of at least three meetings in each village. The first session for general discussion, the second for reading of the by-laws, and the third for the election of the loan committee and membership signing. Once organized, training meetings were held with the newly elected loan committees in how to evaluate and process loan applications. Training of co-op personnel to assist farmers and loan committees with the loan making and accounting procedures became an important function of the technicians.

Early in November, 1954, Mr. McCauley resigned from the United States Operations Mission to Iran and departed for the United States. He returned to Iran in February, 1955, under a Ford Foundation Grant as a cooperative specialist for the Near East Foundation. At that time operational responsibility for technical support of the Veramin Rural Cooperative was turned over to the Near East Foundation.

Marketing Cotton Cooperatively

By the end of December 1954, the first and second pickings of the cotton crop of the Veramin Co-op members had all been taken from the co-op warehouses and hauled to the cotton ginning factory

owned and operated by the Seven Year Plan Organization at Gitu in the Veramin Plains. Despite several unexpected interruptions by the management of the factory in the ginning operation, about one-half of the 450 tons raw cotton was ginned by that date. The balance was put through the gins without interruption after several meetings with the manager and the Sherkat-e-Panbeh (Cotton Planning Board) of the Plan Organization. This experience served to indicate the extent to which the cooperative had to rely on the cooperation of government officials in order to get the cotton of its members ginned. Continued production of cotton by cooperative members may in due course necessitate ownership of their own gin or, as an alternative, a long term lease from the factory at Gitu giving them the right to quick service on converting their raw cotton into a ginned product, which finds a better market.

News that the Veramin cooperative had 150 tons of top quality cotton to sell (this included eleven tons belonging to members of the Jajerud Rural Cooperative) traveled rapidly and agents of buyers began contacting the technicians almost daily. They were informed of the location of the cooperative's headquarters at Kheirabad, where they could obtain samples of cotton and seed, as well as discuss terms with the Board of Directors. The first price offer received was 53 Rials per kilo, but members of the board had decided on at least two things:

1. The price of cotton would rise in the spring.
2. They hoped to better the price of 61.65 Rials per kilo received the preceding year.

The Board of Directors had seen the price of cotton rise some six or seven rials per kilo after the 1953 crop had been sold and they were certain that the price would again reach a peak in the spring. This belief, plus a desire to do better price-wise than on the 1953 crop, caused them to reject early offers.

Actually, after the initial bids were received, the prices offered did begin to climb. One factor which concerned the technicians a great deal, however, was an indication that the rial-dollar exchange rate might be altered making for a less favorable rate on export transactions. Neither the extent of the change in rate, nor how much effect it would have on the price of cotton could be ascertained. It was agreed in view of this new factor which would certainly affect the marketability of the crop, plus the uncertainty of the world cotton market price due to cotton and textile surpluses, that these conditions would be called to the attention of the Board of Directors with a recommendation that the cotton be sold at a price which by this time (February, 1955) was about 60 rials per kilo. This was done and, although the Directors

still were confident of higher prices to come and in no hurry to sell, the cotton was advertised for sale in the leading newspapers. At least eight bids were received on the appointed day ranging from 58 to 63½ rials per kilo.

Unfortunately, no distinction was made in the quality of bids or status of the bidders. The high bid, which was the one accepted by the board, turned out to be one which could not be fulfilled. Failure of the bidder to produce the necessary funds resulted in the loss of his deposit but, immediately following the negotiations, the price of cotton began to turn downward and, in a relatively short time, the downturn had amounted to 10 rials per kilo.

Mr. McCauley in his annual report of the Veramin Rural Cooperative to Mr. C.J. Spalding, Director of the Near East Foundation in Iran, for the fiscal year ending March 21, 1955, expressed the opinion that the experience gained in the marketing of the cooperative's 1955/cotton crop proved that in Iran, bazzar brokers unless properly handled, are almost certain to work against the interest of the seller in two ways:

1. In their desire to "tie up the seller" in a firm agreement with which they can approach buyers, brokers talk prices or terms far better than they can obtain from buyers. They give the seller an unrealistic picture, thinking they can compromise buyer and seller later.

2. With seemingly attractive offers and purchase plans that tempt further investigation, brokers can take up hours, days and weeks of the time of an uncertain seller. These delays can be costly in the interest paid during the period of delay and in money lost in a period of falling prices.

Fortunately, a reliable exporter in the person of Mr. Morris Katz was located and all but 30 tons was disposed of through his company at approximately 50 rials per kilo. The balance was sold through another firm at about the same price. On the basis of seed cotton (before ginning) the price received amounted to 18.6 rials per kilo or four rials below that received for the preceding year. This was still at least ½ rial above the seasonal price averaged by non-co-op cotton sellers in the same area for the 1954 crop.

Valuable lessons were gained by technicians, Board of Directors, and members of the cooperative from the Veramin co-op 1954-55 cotton marketing experience. In spite of an adverse market, the cotton was

sold, debts were repaid, and faith of the members in their cooperative as their marketing and credit agent remained steadfast. Members of the Board of Directors learned that speculation, by holding a crop which belongs to others in the hope of gaining a better price, is fraught with danger, and too risky for an organization such as the one they represent to undertake. The experience gained proved valuable in the marketing of the 1955 crop which was sold in an orderly fashion by Mr. Katz, shortly after it was ginned.

B. Cooperative Specialist Training

Origination

A Project Agreement for Cooperative Specialist Training was formalized on February 17, 1954. Six Iranian Governmental Agencies or Ministries joined with OMI in joint agreement on this project. The six representing Iran were (1) Agricultural Bank (2) Ministry of Interior (3) The Seven Year Plan Organization (4) Development Bank (5) Ministry of Labor and (6) Ministry of Agriculture.

Project 84 evolved as the result of a realization of the need for producing a corps of Iranian personnel who could work for local cooperative societies as managers, accountants, graders, storekeepers, and in other administrative capacities. It was, also, recognized that not only was there a need for trained cooperative personnel on the primary society level but that men trained in cooperative theory, principles, and operation were needed at the district and national level as well. This latter group is essential in the support of personnel at the primary society level for without them the possibilities of cooperative personnel in isolated primary societies being able to maintain some semblance of standardization based on accepted cooperative principles becomes very hazardous. Consequently, the project not only provided for the training of future cooperative employees at various levels of cooperative organization, but for government employees who by virtue of their field knowledge, would be better qualified to give technical support to those engaged in actual cooperative operations.

Training Techniques

The principal method chosen for education was the "on job" training or a "learning by doing" system, somewhat similar to one phase of training employed by the U.S. Veterans Administration for veterans after World War II, and the Korean War. Accepted trainees would learn by actual performance on the job in cooperatives to which they were assigned. The period of time initially agreed upon was up to one year. This was later amended, when the project

was extended, to permit an additional year providing the cooperative was willing to assume a portion of the training wage. To supplement the "on job" training, the project agreement provided that academic instruction through seminars, conferences, and field trips, be given under the guidance and supervision of qualified Iranian and American cooperative technicians.

One limiting factor to consider was that there were few cooperatives in Iran of high enough standard to afford training in all the necessary phases of cooperative operation. Under technical supervision, however, it was felt that selected cooperatives could be used as "pilot" training centers. The training program, based around these selected co-ops, or those in the process of formation, had several advantages:

1. It would help to build up a group of cooperatives which might work together in a federation.

2. Limiting the project to selected cooperatives would give Iran the kind of supervised research and experience necessary to produce competent Iranian cooperative specialists.

3. It would permit the qualified technicians to concentrate their efforts efficiently, and permit them to improve the co-ops selected for training.

Administration of the Project

Since the project could be carried out anywhere in Iran, where suitable training facilities existed, or could be brought into existence, a three man National Project Committee was organized, as provided in the Project Agreement, for the purpose of establishing the policies and seeing to their proper execution. The Cooperative High Council of Iran gave its official approval of the project in a meeting on March 29, 1954, and selected Engineer Hooshang Nosaved, Chief of the Credit and Cooperative Section of the Agricultural Bank, as their representative on the national project committee where he has served as the chairman. The Seven Year Plan Organization appointed Mr. Mohammad Arachi, Chief of their Credit and Cooperative Section, to the committee. Representing USOM, was Mr. John McCauley. I was appointed as the latter's replacement in October, 1954, in view of his imminent resignation from the Mission.

The National Project Committee held its first meeting on May 8, 1954, and approved the first candidate for training. He was Fath oud Sharavi who was assigned to the Veramin cooperative for training as a manager. Other trainees were soon approved, after

review of their applications and personal interview by the committee, for Demavand, Fariman, Taleqan, and Jajerud Rural Cooperatives, as well as such urban consumer cooperatives as Tehran's Glycerine Factory and the Army Cooperative.

Problems Faced by the Committee

As the number of trainees who were accepted expanded, the problems faced became more numerous. While it is impractical and unnecessary to set down in this report all of the difficulties which had to be analyzed and solved, at least some of the major ones are worth reporting.

(1) The lack of personnel within operating cooperatives qualified to train other personnel.

(2) The need for administrative personnel, such as managers and accountants, by newly organizing cooperatives.

(3) Determining the "best type" of candidate.

(4) Locating suitable applicants for training.

(5) Arriving at an optimum training wage.

(6) The reluctance by government employees working for the signatories to the project to accept trainee assignments.

SOLUTIONS

To say that the above factors confronting the Committee have been solved in their entirety would be presumptuous. Comprises had to be made, based on local existing conditions, which did not always offer a complete solution but appeared to be the best approach under the circumstances.

With regard to the lack of trained personnel within the cooperatives to which trainees were to be referred for assignment, the most feasible recourse appeared to be that of introducing trainees to the cooperatives' Boards of Directors which might accept them, and then turn over to them, the duties of carrying out the business of the cooperative. The success of such a venture, of course, depended upon the presence of qualified cooperative technicians employed by the Mission and the Near East Foundation, who could devote sufficient time to guiding and teaching the trainees as they went along.

The assignment of trainees to work with technicians in aiding people to organize a cooperative solved problem two and had two

important effects:

(1) It gave the new students an opportunity to get in on the organization of a cooperative where they could observe the problems encountered by the technicians and the techniques used to overcome them.

(2) It eliminated the necessity of the cooperative having to finance the entire burden of salaries for employees in the initial stages of operation. This was possible, inasmuch as at least a part of the salary of the trainee is paid from project funds.

Removal of this financial drain explained in (2) above has been a tremendous boon to the organization and continued operation of rural cooperatives in Iran. Due to the limited capital resources of the majority of the members, along with the utter lack of initial understanding of what a cooperative is and how it operates, it undoubtedly can safely be stated that organization and operation of most of the rural cooperatives now in existence in Iran would not have been possible without the help and assistance received from Project 94. Certainly, it has helped to accelerate the cooperative movement in Iran, and at the same time, has not restricted the independence or autonomy of the cooperatives themselves.

Considerable discussion took place in the weekly meetings of the committee concerning the type of applicant which would make the most desirable trainee. It has already been mentioned that men with training in cooperatives are needed at various levels for best results. There was a tendency on the part of the Iranian members of the Committee to place the greatest emphasis in selection on the educational background of the candidate and to minimize his experience and practical qualifications. Consequently, the first trainees assigned to both urban and rural cooperatives were, for the most part, men with ten to eleven grades of education. It became apparent that, while most of them were capable students, too large a percentage had no real intention of utilizing their training by working for rural cooperatives after their period of training was ended. One major reason for this was that men with tenth, eleventh, or twelth grade levels of education were invarlably from the larger cities such as Tehran, Isfahan or Meshed. They applied for acceptance under the project as an opportunity for something to do, as well as for an income. Unfortunately, the hardships of village life, the lack of recreation and social contact with people of their own cultural background, and an inability to "speak the farmers language", brought many of them back before the committee where, ultimately, they had to be released.

In an attempt to find trainees with more staying power, the Committee adopted a policy of priority to men from rural environments and strove to find the sons of actual tillers of the soil for rural cooperative assignments. This did not mean, however, that men with urban backgrounds were eliminated from consideration for it was apparent that some of those who had been selected earlier were turning out satisfactorily.

Locating potential cooperative personnel in rural areas of Iran is not an easy task. Invariably, educational levels are considerably lower than those of urban youth and it is difficult to find people who are capable of learning the intricacies of cooperative administration. The best success in this regard has been met with those referred by cooperative technicians who work in the field.

Trainees salaries are paid wholly or in part from project funds and the determination of an optimum training wage has evoked considerable attention on the part of the Committee. Originally, payments were based on educational levels with extra allowances for assignments to rural areas. Recommendations concerning appropriate schedules of payment were received from numerous sources, but it was ultimately agreed that rates should not be higher than those which the cooperative could afford to pay when they would be obligated to assume the full burden of the employees salary. Present policy of the Committee is to approve trainees at about 2,000 rials per month unless the cooperative to which they are introduced, or which has referred them to the Committee, recommends a lesser amount. The way is left open for increases up to 500 rials per month upon recommendation of the Board of Directors and the cooperative technicians guiding the trainees. At the same time, where this amount may be too low to attract persons with extraordinary ability, who might be trained for positions at a higher level, there is nothing to prevent the cooperative from supplementing this training allowance.

Although the project anticipated the inclusion of government employees among the personnel to be trained, only three have been detailed to cooperative organizations for this purpose. The Committee has twice drafted requests to the appropriate signatories for candidates selected from among their employees. Plan Organization, Ministry of Labor, and Agriculture Bank have responded. In all probability, the reluctance of government employees to leave the relatively comfortable environment of the city for the rigors of the rural areas has contributed greatly to the lack of response.

Aid to Federation

Incorporated in the project agreement was a provision to bring a contract specialist on Cooperative Wholesale Federations to Iran for a six months period. The man selected was Mr. Niels Strandkjaer,

Danish Cooperative Specialist, who had made a study in 1950 of cooperative possibilities in the Crown Lands of Iran. It was on the basis of this study, and his report to the Director of the Pahlavi Endowed Estates and Real Estates, that he was selected as a consulting technician in training co-op personnel, and to contribute to the organization and development of wholesale cooperatives.

Mr. Strandkjaer arrived in Tehran on June 1, 1955. Since his observations are contained in his report no lengthy review will be made here. However it is significant to reiterate his emphasis on the direct relationship between the influence of single societies and the buying power of individual members. In Iran the buying power of co-op members is relatively low, therefore the position of the primary society is weak. He advocated federations of Producer Cooperative Societies which would engage in direct marketing of agricultural products to federations of Consumer Cooperative Societies. The ultimate results of such a direct marketing system were believed to be three-fold:

1. A fairer price to the farmer for his product.
2. A lower price to the consumer.
3. A graded product on the market.

Although Mr. Strandkjaer's contract was of too limited duration to make possible the fulfillment of his recommendations, progress is being made in the organization of federations in Iran. The first step was the formation in 1955 of a Veramin Plain Federation Committee representatives from the Veramin, Jajerud, and Pishva rural cooperatives. Meanwhile, the USOM/I co-op council of technicians appointed a sub-committee to draft a federation charter, which after minor changes, proved acceptable to the Veramin and Pishva Cooperatives. After approval by the Cooperative High Council of Iran, it was registered on November 24, 1955, and the Alborz District Cooperative Wholesale Society came into existence. The charter offers the opportunity for other rural cooperatives to join the Federation, and the possibilities that they will eventually do so are favorable.

The above wholesale will serve as a valuable training facility and in this function will undoubtedly become increasingly important as membership increases and volume of business expands. Two trainees have already been assigned through Project 64. Plan Organization offered one of their accountants, Mr. Hadi Shaba, and continues to pay his salary. He has had considerable government accounting experience, and has learned how to adapt his knowledge and experience to cooperative accounting procedures under the expert tutelage of Mr. Alf Hajhalish. He shows promise of becoming proficient not only in his job, but possibly in teaching and auditing as well.

Mr. Ali Shams Soraya, son of a farm produce commission merchant, and with some experience in the bazaar, was approved as a purchase agent trainee. Under the expert guidance of manager Morteza Vakilzadeh, his capacity for increased responsibility has good prospects.

To facilitate the organization of a National Federation of Consumers Cooperative Societies, Mr. Andre Saenger, Swiss Co-op expert, was sent to Iran by UN-ILO. He arrived in Tehran in the fall of 1955 and has been meeting with the manager of the Alborz Federation, and with the managers of three urban consumer co-ops (Army Co-op, Ettelaat Newspaper Employees Co-op, and Railway Employees Co-op) in an effort to achieve this goal. The conferees have been using the Swiss Union Charter as a basis for their work.

Summarizing Results

Since the approval of the first trainee under this project about two years ago, a total of fifty-six Iranian Nationals have been approved by the Committee and referred to various cooperatives for approval or rejection by the Boards of Directors. The chief rural "pilot" training centers have been the Veramin and Jajerud Cooperatives with Pishva gaining ground, in this respect. No organized training would have been possible without the presence of cooperative technicians in the field who could advise and guide the trainees on their day to day activities. In addition to the headquarters staff, who have already been enumerated and who have spent many long arduous hours on field assignments, technicians working out of the Near East Foundation offices giving technical support to the Veramin Plains Cooperatives have been instrumental in shaping and molding future cooperative employees and cooperative teachers. These technicians include John McCauley, employed by a grant from the Ford Foundation, Morteza Vakilzadeh, Manager of the Alborz Wholesale, Engineer Jadidi, long associated with furnishing technical advice to the Jajerud Cooperative, and Mahmoud Gharavi, first trainee of the project who now manages the Veramin Cooperative.

A total of nine, rural cooperatives have actually served as training facilities. Such cooperatives as Takestan and Fariman which are outside of the Veramin Plains, have accepted a number of trainees. In the case of the former, teaching on the job has been under the direction of James Johnson, and Engineer Madjd of the Tehran Provincial Office. In Khorassan, of which Meshed is the capital, several local inhabitants are seemingly working out satisfactorily as future "helmsmen" of the Fariman Rural Cooperative. Mr. Calvin Martin, with the aid of such Iranian technicians as Engineer Bahadorzadeh, Area Supervisor employed by the Development Bank, have done an excellent piece of work in instructing them.

Urban Consumer Cooperatives have figured in the training of cooperative personnel, though not to the extent of rural cooperatives. Mr. Firooz Taleb-Begi, head of the Cooperative Section in the Ministry of Labor, and Secretary of the Co-op High Council of Iran, has been active in recommending trainees, and locating training positions in cooperatives organized by the employees of the Railroad, Ettelaat Press, Glycerin Factory, and members of the Iranian Army.

Although the essential purpose of this project was to provide learning by doing through actual assignment of the trainee to a cooperative, provision for supplemental classroom work was included. Thus far, four seminars have been held in Tehran. These have been for all trainees regardless of their place of assignment. To encourage participation of Boards of Directors, allowances for travel and per diem so they could attend seminars have been granted to at least one Director from each cooperative where trainees are assigned.

Ordinarily, seminars are planned for a week to two weeks duration. The most recent was held this year from April 7 through April 19. A total of thirteen technicians participated. Receiving instruction were thirty four trainees, three managers, three board members, and four dehyars (village level workers for the Block Development Program).

Subject matter introduced and discussed at these seminars covers the broad field of cooperatives, including, but not limited, to the following general headings:

1. Cooperative theory and principles.
2. Cooperative charters and fundamental provisions.
3. Cooperative laws.
4. Classification of cooperatives.
5. Cooperative education and development.
6. Structural organization of primary cooperatives.
7. Cooperative accounting.
8. Cooperative credit and finance.
9. Cooperative federations.

In each of the seminars, slide films and movies on cooperative activity and development in Iran were shown. Field trips to urban and rural cooperatives were made, several days usually being set aside for this purpose. During the last seminar, trainees participated in a tour of the Pishva Rural Cooperative. They also were given a practical exercise by Mr. Andre Sacmer at the Iranian Army Cooperative where they were shown good and bad features of display, advertising, serving customers, statistics, bookkeeping, etc.

To further supplement the "on-the-job" training, arrangements were

made to enroll nine trainees in basic accounting classes at the University of Tehran in April, 1955. These classes were conducted under the direction of the co-directors of the Institute for Administrative Affairs. Although most of the trainees lacked the desired educational qualifications comprising eligibility for enrollment, special dispensation for their attendance, due to the extreme need for trained accounting personnel in cooperatives, was requested from, and granted by, the co-directors.

The first course in basic accounting continued into July, 1955. Trainees who attended were from cooperatives within reasonable driving distance of Tehran. Class sessions were held in the evenings, twice weekly. Suspended during the hot summer months, the course was renewed in the fall and has just concluded. Nine trainees participated. Since, for most of them this represented their first formal academic experience in accounting, Mr. Tajbakhsh conducted a series of informal class meetings with them to complement the instruction received at the University.

A number of publications in Farsi have been made available to trainees as reference material. There have been the efforts of local cooperative technicians who have produced the following list for application in Iran:

(1) What is a co-op?
(2) Comparison between co-ops and private businesses.
(3) Model charter for rural cooperatives.
(4) Regulations for local credit societies.
(5) Analyzing the financial condition of a co-op.
(6) The reasons for co-op success.
(7) Model of a credit local agreement.
(8) Accounting book for beginners.

While the above list is not large, and needs to be augumented, it should be recognized that cooperative publications, forms, posters, pictures or documents in Farsi were generally non existent in Iran until recent times.

Employed to a considerable extent in the technique of co-op education has been the use of suitable slide films and movies on cooperatives. Used to the greatest extent, undoubtedly, has been the movie, "My Neighbor and I", which was produced in Iran through the joint efforts of cooperative technicians in the Community Development Division, and technicians of the Audio-Visual Division, Syracuse Film Unit, in 1953. Recently, the movie film "Men of Cochdale", purchased in 1955 for approval of the committee, has been translated for narration in Farsi. Mr. Hooshang Valikzadeh deserves special commendation for the fine job he did working with Mr. Sarviz of Audio-Visual in adapting this film for usage in Iran.

Statistically, there are thirty-one men now engaged in cooperative training through specific assignments for this purpose to cooperatives, or to the first rural cooperative union. Of this number, twenty-one are in their first year of training. The remainin ten are in their second year of training, and cooperatives are paying a portion of their salary (generally, one-third).

Recommendations for Future Training

Fundamentally, this training project or program was been built around experience in the field. The trainees have been put in positions where they have had to "get their feet wet through actual performance of the job. The problems and questions which they have projected, both in the field and in the classroom, have helped to develop techniques used by specialists in their teaching and supervision in connection with the overall cooperative program.

During the past two years in which this training program has operated, some factors have been determined which serve as a guide to its conduct in the future:

(1) Closer supervision of the trainee in the field.

a. The first line of support for training and supervision must come from cooperative technicians working in the field. Unfortunately, in some instances, trainees have been delegated certain tasks to which they have been confined for too long a period of time. After a trainee becomes familiar with a phase of activity in the cooperative, he should be rotated to others until he becomes familiar with all operations. This is essential if he is to develop into a valuable employee.

b. Field technicians have sometimes been reluctant to recommend termination of trainees, even though it has become apparent that they are not progressing satisfactorily. Release of trainees who are not "pulling their business" has a tendency to boost the morale of those who are. Furthermore, the advantage of early elimination of those who are wasting their time, as well as that of the technicians, can hardly be questioned. It is a fact, however, that this is a drastic action which is alien to local custom; it is difficult to institute and carry out. In those few instances where it has been advocated by technicians, their recommendations have been carried out by the committee.

c. Not much formal credit in training has been received by

[illegible]

trainees in the field. This has been left largely to the Committee and, as stated earlier, four seminars have been held in Tehran. However, holding seminars in the field has definite advantages in that practical application of the knowledge gleaned may be used to solve immediate problems. It, also, serves a dual purpose in that membership education can be promoted by having members participate in the class sessions. Implementation of such a practice hinges on the availability of trained technicians with sufficient time to carry it out.

d. Heavy responsibilities should not be placed on "green" trainees who are experiencing their first contact with a cooperative. This can have dire results, particularly since the trainees will not be apt to admit their ignorance regarding the duties which they are asked to perform. On the other hand, knowledge will not be acquired without acceptance of some responsibility, and the responsibility should gradually be increased. The main point to bear in mind, however, is that close supervision should be maintained by the technician. Increasing the degree of activity for which the trainee is accountable is inadvisable until he has demonstrated his capacity to assume added liabilities. The Board of Directors must be admonished to secure registered guarantees from each trainee. For security reasons, as well as to keep everyone concerned informed as to the financial status of the cooperative, it is advisable to instruct the Board of Directors to have an audit of the co-op's accounts performed quarterly, or semi-annually.

e. Better coordination of the field training program might result from regularly, scheduled contacts of trainees by headquarters technicians. Up to this time, contacts have been frequent, but not on a uniform pattern, primarily because the demand for technical service has not permitted time for operation on this basis. With the number of Iranian cooperative technicians gradually increasing, this kind of liason seems more likely to be realized.

(2) Qualities of Trainees

The rigors and harsh life in most of the rural parts of Iran requires special characteristics or traits of those who make their livelihood in those areas. In searching for trainees who will make useful employees of cooperatives, the most desirable trainee applicants should have many of the following qualities:

(a) Integrity
(b) Interest in improving the welfare of their countrymen.
(c) A sympathetic regard of the peasant farmers' problems.
(d) Willingness to work hard under adverse conditions.
(e) Willingness to work for approximately the current level of wages in the area in which assigned.
(f) Willingness to assume gradual responsibility.
(g) Willingness to work under supervision.
(h) Resourcefulness
(i) An ability to teach, write and speak.
(j) Accounting and mathematical ability.
(k) Leadership
(l) Business acumen
(m) Desire and intention to continue in Co-op work.

Village Council Program

Cooperative technicians from Division Headquarters in Tehran, were invited by community development technicians of Babolsar in mid 1955, to survey the possibilities of aiding in the organization of a cooperative in the village of Dalland, which lies about 65 kilometers east of Gorgan, near the northern border of the country.

Technicians from the Agricultural Division of OMI, under the direction of Mr. Henry Kernan, forestry expert, had begun a reforestation program in this area. An integral part of this program was an experiment in the operation of various types of kilns for producing charcoal from the trees cut down as part of the forest management program. These kilns had been built by Mr. Alexis Olson, who came to Iran for three months in the spring of 1955, from the Connecticut Agricultural Experiment Station at New Haven, Connecticut. Purpose of their construction was to demonstrate the Connecticut type charcoal kilns and compare results with the Iranian type.

Mr. Olson's experiment proved that the Connecticut type kilns produced a greater yield and a better quality charcoal than the Iranian type. Furthermore, they produced better results with dried wood, as opposed to the Iranian kilns which burned green wood. This made the Connecticut type kiln a much more suitable kiln for use in conjunction with a forestry management and rehabilitation program, badly needed in Iran.

Processing of charcoal was commenced on May 24, 1955, with all costs paid from Project 43 funds. From the outset, technicians searched for a way in which the villagers of Dalland (where the kilns were built) could share directly in the charcoal business by taking over the operation. The village society was approached and expressed interest in the formation of a cooperative which would turn a share

of the net proceeds over to the society for village improvements.

Since forestry technicians were hoping to withdraw economic support as soon as possible we held meetings with the village society and the villagers in July and August which resulted in the formation of the Dalland Rural Cooperative. Forestry technicians set October 22, 1955, as the date for the official transfer of the charcoal manufacturing operation over to the cooperative. This was subsequently accomplished at an official ceremony on the appointed day.

Since the Board of Directors could not suggest anyone who was capable of managing the cooperative, one of the cooperative trainees who had been in training for about one year was referred to them and accepted. At the same time the Board introduced a local resident for training. After approval by the Committee, he was placed in the Veramin Rural Cooperative for a period of three months before being returned to Dalland for assignment to the cooperative there.

Early in February 1956, a field trip was again made to the area. Mr. Tajbakhsh, with the aid of the trainees, prepared operating statements and a balance sheet. These documents indicated that from a business standpoint, operations during the preceding 3½ months had been satisfactory. A fourth kiln had been built by the Forestry Bongah and all kilns were being operated at full capacity. Sales of charcoal were at a standstill because of a seasonal downtrend in demand but this had not brought a halt to the cutting of trees in the forest nor to the processing of charcoal. A renewal of sales after the No-Ruz (New Year) Holidays has since commenced with an increase in the demand for charcoal.

Activity of the co-op store was still limited to the sale of sugar - a government controlled monopoly. However, by having a franchise to dispense sugar, the cooperative is able to save the villagers approximately 15 rials per kilo.

Community Development specialists from Baboisar had endeavored to help the villagers of Dalland find a way to have a school. They had looked for the co-op's operation of the charcoal kilns as a means to this end. The members of the cooperative had agreed to a provision in their charter to turn over one-third of the net proceeds from the sale of charcoal to the village council for village improvements. An analysis of the operating statement for the charcoal section indicated the Dalland Village Society could expect to receive, conservatively, 20,000 rials as their share the first year. The Board of Directors, therefore, decided to advance the Village Society 15,000 rials on the latter's share of the income. Before we left, Community Development Specialists of OMI in Baboisar, and of the Development Bongah at Gorgan were working with the villagers to begin construction of a

school. A teacher from the Ministry of Education had already been sent to the village and was temporarily holding classes in a building owned by the Kadkhoda (Mayor).

The activities at Dalland are a significant illustration of how technicians concerned with four different projects were able to combine their efforts and expand a program of Forest Management to include village enterprise, community improvements, and the training of people in civic and business functions. However, there are two pertinent problems which are still being faced:

1. Lack of contiguous technical support.
2. Failure of some Forestry Bongah employees to accept the idea of a non-governmental agency operating a business enterprise.

A continuation of on the spot technical assistance to help the villagers prove to themselves and to government officials that they are capable of successfully operating a business is essential if this novel experiment is to succeed.

IV. CONCLUSION

Community Development cooperative technicians have now been integrated into the Development Bongah of the Ministry of the Interior. Here they form a part of the administrative and technical services available for the rural community development program in Iran. In this capacity they will have two bread fields ofactivity:

1. Cooperative training.
2. Aiding cooperative organization and furnishing technical advice on cooperative operations.

There will, undoubtedly, be a great demand for their services from those areas designated as Block Development Sites. The first of these blocks to be organized at Miandoeb, in Azerbaijan, and at Garmsar, in Tehran Ostan. Since these areas will have a concentration of technical assistance at the local level, the educational and promotional effort required becomes less difficult to sustain. Care must be taken to proceed in such a manner that the farmers feel organization of a cooperative is something which they need and they want, and not something which is being forced upon them. For this reason technicians working in the field will be required to evaluate the attitudes of the people after informal discussions with them. Where it is ete mined that a genuine interest exists (or has been created) in the formation of a cooperative, additional technical assistance from the Development Bongah's Co-op Branch may be solicited.

Expansion and development of the cooperative movement in Iran can proceed on a sound basis no faster than the presence of qualified co-op technicians and co-op administrative personnel permits. Unfortunately, the supply is still limited even though it has expanded some in the past few years. Continued emphasis on training of personnel for cooperative technical services, for cooperative employees and for government agencies concerned with cooperatives is absolutely mandatory. Only by so doing is there any hope of eventually having an enlightened membership which can run their own organization.

Better chances of success, too, will exist in those areas where farmers have an adequate or economic unit to operate. Without adequate units to assure them of sufficient return fro their labor, they cannot maintain a satisfactory standard of living. The success of any rural development program will be influenced by the economic level of the people.

The Iranians who comprise the team of technicians which will furnish cooperative technical services to the rural community development program are dedicated to the expansion of the cooperative movement in Iran. Selected to head the team from the beginning of the current Iranian year is Mr. Esmael Malek-Mansour, former head of the Farm Machinery Co-op Section of the Agricultural Division of USOM/Iran, who has long been devoted to the most important of all, they are insistant upon the establishment of cooperatives on basic international cooperative principles. The future success of the cooperative movement in Iran will depend upon men like these. It has, indeed, been my privilege and pleasure to have worked with them.